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Title: AN ORDINANCE authorizing the issuance of sewer revenue bonds of the county in the aggregate principal amount of not to exceed \$250,000,000 to provide funds for constructing improvements to the sewer system of the county and for refunding certain outstanding sewer revenue bonds of the county; providing for the form, terms, covenants and other provisions of such bonds; providing for the sale of the bonds and for a plan of refunding; establishing funds for the receipt and expenditure of bond proceeds and for the payment of the bonds; and pledging sewer revenues to pay the principal of and interest on the bonds.

Sponsors: Larry Phillips

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Code sections:

Attachments: 1. Ordinance 14753.pdf, 2. 2003-0307 Revised Staff Report.doc, 3. 2003-0307 Staff Report.doc, 4. 2003-0307 Transmittal Letter.doc

Date	Ver.	Action By	Action	Result
9/8/2003	1	Metropolitan King County Council	Hearing Held	
9/8/2003	1	Metropolitan King County Council	Passed	Pass
9/3/2003	1	Budget and Fiscal Management Committee	Recommended Do Pass	Pass
7/7/2003	1	Metropolitan King County Council	Introduced and Referred	

Clerk 09/09/2003

_____, 2003

INTRODUCED BY:

PROPOSED NO. 2003-

ORDINANCE _____

AN ORDINANCE authorizing the issuance of sewer revenue bonds of the county in the aggregate principal amount of not to exceed \$250,000,000 to provide funds for constructing improvements to the sewer system of the county and for refunding certain outstanding sewer revenue bonds of the county; providing for the form, terms, covenants and other provisions of such bonds; providing for the sale of the bonds and for a plan of refunding; establishing funds for the receipt and expenditure of bond proceeds and for the payment of the bonds; and pledging sewer revenues to pay the principal of and interest on the bonds.

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PREAMBLE:

The Municipality of Metropolitan Seattle (“Metro”) was created by public vote in 1958 to exercise the powers conferred by Chapter 35.58 of the Revised Code of Washington (“RCW”) related to water pollution abatement. RCW 35.58.200 confers specific powers to prepare and implement a comprehensive water pollution abatement plan including provisions for waterborne

pollutant removal, water quality improvement, sewage disposal and storm water drainage. In the exercise of those powers, the metropolitan council adopted a comprehensive water pollution abatement plan for the Seattle metropolitan area. This plan has been implemented in stages and has included facilities for the conveyance and treatment of sewage and control of combined sewer overflows that include, but are not necessarily limited to, wastewater treatment plants, interceptor and trunk sewers, pumping stations, regulator stations, outfall sewers, storm sewers to divert stormwater from sanitary sewers, lands for application of biosolids, property rights, buildings and other structures (collectively, the “Sewer System”).

Pursuant to the authority of Chapter 36.56 RCW and a special county election held November 3, 1992, the county on January 1, 1994 assumed the rights, powers, functions and obligations of Metro, including operation of the Sewer System to carry out the functions of metropolitan water pollution abatement in accordance with a comprehensive plan as authorized by Chapter 35.58 RCW. The county assumed and agreed to provide for the payment and retirement of outstanding bonds of Metro, all of which have been retired.

Long term service agreements with participating municipalities (the “Participants”) obligated Metro, and now the county as its successor, to treat and dispose of sewage collected by the Participants. The Participants must pay the costs of such services including debt service on sewer revenue bonds, including the bonds authorized herein, and other indebtedness payable from and secured by sewer revenues.

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

<u>Series</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Outstanding</u>
1999	June 1, 1999	\$80,000,000	\$80,000,000
1999 (2 nd)	November 1, 1999		\$ 60,000,000

2001	November 28, 2001	\$270,060,000	\$258,080,000
2002A	August 14, 2002	\$100,000,000	\$100,000,000
2002B	October 3, 2002	\$346,130,000	\$343,505,000
2003A	April 24, 2003	\$96,470,000	\$96,470,000

The county has issued the following series of limited tax general obligation bonds additionally secured by a junior lien pledge of revenues of the Sewer System (the “Parity Lien Obligations”), dated as of the following dates in the following original principal amounts and now outstanding in the following principal amounts:

Original Principal	Principal Amount		
<u>Series</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Outstanding</u>
1994A	April 1, 1994	\$170,000,000	\$2,145,000
1995	May 1, 1995	\$90,000,000	\$620,000
1996	December 15, 1996	\$130,965,000	\$101,725,000
1998	September 15, 1998	\$261,625,000	\$258,520,000

The county may have opportunities to refund all or portions of the currently outstanding Parity Bonds and Parity Lien Obligations (the “Refunding Candidates”) and thereby realize savings to the county and ratepayers of the Sewer System. It is deemed necessary and advisable that the county issue and sell not to exceed \$65,000,000 principal amount of its sewer revenue bonds to refund all or a portion of such bonds, as provided herein (the “Refunding Bonds”).

It is deemed necessary and desirable that the county also sell and issue its sewer revenue bonds in the aggregate principal amount of \$185,000,000 (the “Project Bonds”) to carry out portions of the comprehensive plan.

To maximize the savings from refunding any of the Refunding Candidates, it is in the best interest of the county to delegate to the county Finance Manager authority to sell the Refunding Bonds and the Project Bonds in one or more series; provided, however, that the aggregate principal amount of the Project Bonds shall not exceed \$185,000,000 and the aggregate principal amount of the Refunding Bonds shall not exceed \$65,000,000.

The ordinances authorizing the issuance of the outstanding Parity Bonds and Parity Lien

Obligations all provide that the county may issue additional sewer revenue bonds on a parity with the outstanding Parity Bonds if certain conditions are met. The county council has found and determined that such parity conditions have been or will be met, and therefore the pledge of revenues of the Sewer System to secure such bonds shall be on a parity with the pledge of such revenues to secure the outstanding Parity Bonds.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Definitions. The following words and terms as used in this ordinance shall have the following meanings for all purposes of this ordinance, unless some other meaning is plainly intended. “Accreted Value” means with respect to any Parity Bonds that are Capital Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the ordinance, resolution or motion authorizing such bonds as the amounts representing the initial principal amount of such bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, as provided in the ordinance, resolution or motion authorizing the issuance of such bonds; provided that if such calculation is not made as of a compounding date, such amount shall be determined by straight-line interpolation as of the immediately preceding and the immediately succeeding compounding dates.

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

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

“Annual Parity Debt Service” means, with respect to any calendar year, the sum of the following:

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

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

(ii) The amount of interest deemed to be payable on any issue of Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate (the “assumed RBI rate”) that is 90% of the average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter preceding the quarter in which the calculation is made; provided, however, that for purposes of determining actual compliance in any past calendar year with the rate covenant made in Section 16 of this ordinance, the actual amount of interest paid on any issue of Variable Rate Parity Bonds shall be taken into account.

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

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

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

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

the requirements set forth in Section 23 of this ordinance.

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

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

“Bond Fund” means the “Municipality of Metropolitan Seattle Sewer Revenue Bond Fund” created by Section 10 of Resolution No. 90 of the Metro Council and redesignated and continued by the county as the “Water Quality Revenue Bond Account” pursuant to Section 30 of Ordinance 12076 of the county for the purpose of paying and securing the payment of the Parity Bonds.

“Bond Register” means the registration books maintained by the Bond Registrar for purposes of identifying ownership of the Bonds.

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

“Bond Reserve” or “Bond Reserve Account” means the bond reserve account in the Bond Fund securing the payment of the Parity Bonds.

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

“Capital Appreciation Bonds” means any Parity Bonds the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Parity Bonds; provided, however, that Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution or motion authorizing their issuance. On the date on which Parity Bonds

no longer are Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount equal to their Accreted Value.

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

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

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

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

“Commission” means the Securities and Exchange Commission.

“Comprehensive Plan” means the county’s comprehensive water pollution abatement plan authorized by RCW 35.58.200 and defined in Section 28.82.150 of the King County Code as the Comprehensive Sewage Disposal Plan adopted by Resolution No. 23 of the Metro Council on April 22, 1959, and all amendments thereto, including those amendments approved by the following resolutions of the Metro Council: Resolution No. 74 adopted February 16, 1961, Resolution No. 152 adopted April 19, 1962, Resolution No. 261 adopted March 7, 1963, Resolution No. 441 adopted August 20, 1964, Resolution No. 477 adopted November 19, 1964, Resolution No. 795 adopted November 3, 1966, Resolution No. 928 adopted June 1, 1967, Resolution No. 1011 adopted November 16, 1967, Resolution No. 1024 adopted December 7, 1967, Resolution No. 1052 adopted March 21, 1968, Resolution No. 1257 adopted July 3, 1969, Resolution No. 1330 adopted December 18, 1969, Resolution No. 1829 adopted March 1, 1973, Resolution No. 2025 adopted February 21, 1974, Resolution No.

3135 adopted March 15, 1979, Resolution No. 3781 adopted November 5, 1981, Resolution No. 4217 adopted December 15, 1983, Resolution No. 4234 adopted October 20, 1983, Resolution No. 4339 adopted April 5, 1984, Resolution No. 4780 adopted July 17, 1986, Resolution No. 5332 adopted May 19, 1988, Resolution No. 5371 adopted April 21, 1988, Resolution No. 5449 adopted July 21, 1988, Resolution No. 5902 adopted June 21, 1990, Resolution No. 6107 adopted March 21, 1991, and Resolution No. 6378 adopted June 4, 1992, together with any amendments hereafter approved by ordinance of the county.

“Construction Account” means the “Second Water Quality Construction Account,” as designated by Section 30 of Ordinance 12076 of the county, passed on December 18, 1995, which account was previously known as the “Second Water Quality Construction Fund” created by Section 13 of Ordinance 11241 of the county.

“Credit Facility” means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (but not including a Payment Agreement), satisfactory to the county, that is provided by a commercial bank, insurance company or other financial institution with a current long term rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody’s Investors Service and Standard & Poor’s Ratings Group not lower than the credit rating of any series of Parity Bonds, to provide support for a series of Parity Bonds, and shall include any substitute therefor in accordance with the provisions of the ordinance providing for the issuance of Parity Bonds supported by a Credit Facility.

“Customers” means Residential Customers and Residential Customer Equivalents as defined and determined in the existing Service Agreements.

“DTC” means The Depository Trust Company, New York, New York.

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

“Finance Manager” means the county’s manager of finance and business operations or his or her designee.

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

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

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

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

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

“Metro Council” means the Metropolitan Council of the Municipality of Metropolitan Seattle established pursuant to Chapter 35.58 RCW and abolished effective January 1, 1994 pursuant to Chapter 36.56 RCW.

“MSRB” means the Municipal Securities Rulemaking Board or any successor to its functions.

“1994A Bonds” means the county’s Limited Tax General Obligation Bonds (Payable from Sewer Revenues), 1994 Series A, issued under date of April 1, 1994, in the initial principal amount of \$170,000,000 as authorized by Ordinance Nos. 11241 and 11252 of the county.

“1995 Bonds” means the county’s Limited Tax General Obligation Bonds (Payable from Sewer Revenues), 1995, issued under date of May 1, 1995, in the initial principal amount of \$90,000,000 as

authorized by Ordinance 11763 of the county.

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

“1998 Bonds” means the county’s Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 1998 Series B, issued under date of September 15, 1998, in the initial principal amount of \$261,625,000 as authorized by Ordinance 13256 of the county passed on August 31, 1998 and Motion No. 15060 of the county council passed on September 28, 1998.

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

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

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

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

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

“2003A Bonds” means the county’s Sewer Revenue Refunding Bonds, Series 2003A, issued under date

of April 24, 2003, in the principal amount of \$96,470,000, as authorized by Ordinance 14406 of the county passed on July 8, 2002, and Motion 11682 of the county council passed on March 31, 2003.

“Net Revenue” means Revenue of the System less Operating and Maintenance Expenses.

“NRMSIR” means a nationally recognized municipal securities information repository.

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

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

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

“Parity Lien Obligations” means the 1994A Bonds, the 1995 Bonds, the 1996 Bonds and the 1998 Bonds and all bonds, notes or other evidences of indebtedness payable in whole or in part from Revenue of the System and secured by a lien on such Revenue on a parity of lien with the lien of the 1994A Bonds, the 1995 Bonds, the 1996 Bonds and the 1998 Bonds. “Parity Lien Obligations” include any Parity Lien Payment Agreements and parity reimbursement agreements entered into with the provider of a Credit Facility.

“Parity Lien Obligation Payment Agreement” means a Payment Agreement under which the county’s

payment obligations are expressly stated to constitute a charge and lien on the Revenue of the System equal in rank with the charge and lien upon such revenue securing amounts required to be paid into the Parity Lien Obligation Bond Fund to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

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

“Parity Term Bonds” means Parity Bonds that are Term Bonds.

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

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

“Payment Agreement Receipts” means the amounts periodically required to be paid by the Qualified Counterparty to the county pursuant to a Payment Agreement.

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

“Professional Utility Consultant” means a licensed professional engineer, a Certified Public Accountant,

or other independent person(s) or firm(s) selected by the county having a favorable reputation for skill and experience with sewer systems of comparable size and character to the System in such areas as are relevant to the purposes for which they are retained.

“Project Bonds” means the \$185,000,000 aggregate principal amount of sewer revenue bonds of the county authorized to be issued hereunder to pay costs of constructing and installing portions of the Comprehensive Plan and for acquiring, constructing and installing necessary renewals or replacements of the System.

“Public Works Trust Fund Loans” means loans to the county by the State of Washington Department of Community, Trade and Economic Development under the Public Works Trust Fund loan program pursuant to the following loan agreements: (i) PW-01-791-033, dated as of July 5, 2001; (ii) PW-02-691-025, dated as of June 3, 2002; (iii) PW-02-691-PRE-112, dated as of August 19, 2002; and (iv) and any loan agreements hereafter entered into by the county under the Public Works Trust Fund loan program, the repayment obligations of which are secured by a lien on Revenue of the System equal to the lien thereon established by the loan agreements described in preceding clauses (i), (ii) and (iii).

“Qualified Counterparty” means with respect to a Payment Agreement an entity (i) whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability or whose payment obligations under a Payment Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated (at the time the Payment Agreement is entered into) at least as high as A3 by Moody’s Investors Service and A- by Standard & Poor’s Rating Group, or the equivalent thereof by any successor thereto, and (ii) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

“Qualified Insurance” means any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or

service corporation is rated in one of the two highest rating categories by Moody's Investors Service, Standard & Poor's Ratings Services, and any other rating agency then maintaining a rating on the Bonds, provided, that, as of the time of issuance of such policy or surety bond, such insurance company or companies maintain a policy owner's surplus in excess of \$500,000,000.

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

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

"RCW" means the Revised Code of Washington.

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

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

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

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

"Refunding Bonds" means not to exceed \$65,000,000 of the sewer revenue bonds authorized to be issued in one or more series by this ordinance to refund the Refunded Bonds.

“Registered Owner” means any person or entity who shall be the registered owner of any Bond.

“Reserve Requirement” means maximum Annual Parity Debt Service with respect to any calendar year.

“Revenue Fund” means the special fund of Metro created by Resolution No. 7 of the Metro Council adopted November 26, 1958, redesignated as the “Municipality of Metropolitan Seattle Sewer Revenue Fund” by Section 5 of Resolution No. 90 of the Metro Council and redesignated and continued by the county as the “Water Quality Operating Account” pursuant to Section 30 of Ordinance 12076 of the county.

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

“Rule” means the Commission’s Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

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

“Service Agreements” means the sewage disposal agreements hereinbefore entered into between Metro (now and hereinafter the “county”) and municipal corporations, persons, firms, private corporations, or governmental agencies providing for the disposal by the county of sewage collected from such contracting parties.

“SID” means a state information depository for the State of Washington (if one is created).

“SRF Loans” means loans to the county by the State of Washington Department of Ecology pursuant to the following loan agreements: (i) the Washington State Water Pollution Control State Revolving Fund (SRF) Loan Agreement between the State of Washington Department of Ecology and King County Department of Natural Resources Wastewater Treatment Division effective as of June 1, 2000; (ii) the Washington State Water Pollution Control Revolving Fund Refinancing Loan Agreement between the State of Washington Department

of Ecology and the King County Wastewater Treatment Division effective as of September 4, 2002; and (iii) and any loan agreements hereafter entered into by the county under the State of Washington water pollution control revolving fund loan program, the repayment obligations of which are secured by a lien on Revenue of the System equal to the lien thereon established by the loan agreements described in preceding clauses (i) and (ii).

“State” means the State of Washington.

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

“Term Bond Payment Account” means the account of that name established in the Bond Fund pursuant to Resolution No. 4075 of the Metro Council for the amortization of Parity Term Bonds.

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

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

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

SECTION 2. Findings.

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

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

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

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

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

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

(v) The county shall have on file at the Closing of each series of the Bonds a certificate of the Finance Manager or of a Professional Utility Consultant to satisfy the test for issuance of Future Parity Bonds applicable to such series of the Bonds, in accordance with the provisions of Sections 22.D (2), 22.E and 22.F of Ordinance 13468 (authorizing the 1999 Bonds), Sections 22.D(2), 22.E and 22.F of Ordinance 13650 (authorizing the 1999(2nd) Bonds), Sections 22.D(2), 22.E and 22.F of Ordinance 14225 (authorizing the 2001 Bonds), and Sections 23.D(2), 23.E and 23.F of Ordinance 14406 (authorizing the 2002A Bonds, the 2002B Bonds and the 2003A Bonds).

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

SECTION 3. Authorization of Bonds. To provide funds necessary to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the System set forth in the Comprehensive Plan, the county shall issue the Project Bonds in the aggregate principal amount of \$185,000,000. To provide funds to refund the Refunded Bonds, the county shall issue the Refunding Bonds in an aggregate principal amount to be established as provided in Section 24 hereof and in any event not to exceed \$65,000,000. The Refunding Bonds and the Project Bonds may be issued and sold in one or more series, each series to be designated as "King County, Washington, Sewer Revenue [and/or Refunding] Bonds" with an applicable year and series designation to be established as provided in Section 24 hereof. The Bonds shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each or any integral multiple thereof (but no Bond shall represent more than one maturity), shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification, and shall be dated as of such date and shall mature on the dates, in the years and the amounts established as provided in Section 24 hereof.

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

SECTION 4. Registration, Exchange and Payments.

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

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

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

C. DTC Acceptance/Letters of Representations. The Bonds initially issued shall be held in

fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the county has heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations.

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

D. Use of Depository.

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

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the county council to discontinue the system

of book entry transfers through DTC or its successor (or any substitute depository or its successor), the county council may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provided the services proposed to be provided by it.

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

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

E. Transfer or Exchange of Registered Ownership; Change in Denominations. The registered ownership of any Bond may be transferred or exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds

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

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

G. Place and Medium of Payment. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

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

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

If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the

principal office of the Bond Registrar there shall be issued to the registered owner, without charge therefor, for the then unredeemed balance of the principal amount thereof, a new Bond or Bonds, at the option of the registered owner, of like maturity and interest rate in any denomination authorized by this ordinance.

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

SECTION 6. Notice and Effect of Redemption.

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

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

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

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

B. Effect of Redemption. Unless the county has revoked a notice of redemption, the county

shall transfer to the Bond Registrar amounts that, in addition to other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. From the redemption date interest on each Bond to be redeemed shall cease to accrue.

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

SECTION 7. Form of Bonds; Execution of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A of this ordinance. The Bonds shall be executed on behalf of the county with the manual or facsimile signatures of the county executive and the clerk of the county council, and shall have the seal of the county impressed or imprinted thereon. In case either or both of the officers who shall have executed the Bonds shall cease to be an officer or officers of the county before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the county, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance shall be as binding upon the county as though those who signed the same had continued to be such officers of the county. Any Bond also may be signed and attested on behalf of the county by such persons as at the actual date of execution of such Bond shall be the proper officers of the county although at the original date of such Bond any such person shall not have been such officer of the county.

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

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

In case the Bonds or any of them shall be lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like series, amount, date, interest rate, and tenor to the registered owner thereof upon the owner's paying the expenses and charges of the county and the Bond Registrar in connection therewith and upon his/her filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such Bond or Bonds were actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the county and Bond Registrar with indemnity satisfactory to the Finance Manager and the Bond Registrar.

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

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

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

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

B. **Term Bond Payment Account.** A Term Bond Payment Account has heretofore been established in the Bond Fund, pursuant to Metro Council Resolution No. 4075, for the amortization of Parity Term Bonds. After making the payments required in paragraph A above, the county shall deposit to the Term Bond Payment Account, on or before each annual Principal Payment Date, out of the Revenue of the System, additional money that together with available income from the investment of money in the Debt Service Account and Bond Reserve Account will be sufficient to retire by purchase or by redemption pursuant to call any Parity Term Bonds on or before such payment dates and in at least such principal amounts as shall be set forth in the ordinance, resolution or motion authorizing, or the notice of bond sale for, such bonds. The amounts so paid into the Term Bond Payment Account shall be used for the sole purpose of purchasing or redeeming Parity Term Bonds on or before their respective scheduled payment dates, provided that, if more than the required principal amount of such Parity Term Bonds shall be retired by such purchase or redemption in any given year, the amount required to be purchased or redeemed in the next succeeding year or years may be reduced accordingly.

If any Bonds are designated as Term Bonds pursuant to Section 24 hereof, there is hereby authorized to be created a special subaccount for such series of Bonds within the Term Bond Payment Account. All money required by this Section 9.B to be deposited into the Term Bond Payment Account for the purchase or redemption of such series of Bonds that are Term Bonds shall be deposited into such subaccount within the Term Bond Payment Account. Money in such subaccount shall be treated in all respects as all other money in the Term Bond Payment Account, but shall be accounted for separately for the purpose of calculating amounts required to be paid to the federal government pursuant to Section 18 of this ordinance.

C. **Bond Reserve Account.** A Bond Reserve Account has heretofore been established in the Bond Fund, and the county hereby pledges that it will pay into and maintain in the Bond Reserve Account an

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

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

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

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

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

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

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

At such time as no 1994A Bonds and no 1995 Bonds remain outstanding, a special fund of the county to be designated the "Sewer Rate Stabilization Fund" (the "Rate Stabilization Fund") has heretofore been authorized to be established in anticipation of increases in revenue requirements of the System. Thereafter, in accordance with the provisions of Section 12 of this ordinance, the county may from time to time appropriate or

budget amounts in the Revenue Fund for deposit in the Rate Stabilization Fund and may from time to time withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate sewer rate increases or for other lawful purposes of the county related to the System.

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

First, to pay all Operating and Maintenance Expenses;

Second, to make all required payments of principal and interest on Parity Bonds as the same shall become due and payable and to make any Payment Agreement Payments with respect to any Parity Payment Agreements;

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

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

Fifth, to establish and maintain the Bond Reserve (including the cost of obtaining Qualified Insurance or a Qualified Letter of Credit therefor);

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

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

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

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

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

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

Any surplus money that the county may have on hand in the Revenue Fund after making all required payments set forth above may be used by the county (i) to make necessary improvements, additions and repairs to and extensions and replacements of the System, (ii) to purchase or redeem and retire outstanding sewer revenue bonds of the county, (iii) to make deposits into the Rate Stabilization Fund at such time as it is authorized to be created pursuant to Section 13.D of Ordinance 12314 of the county, or (iv) for any other lawful purposes of the county related to the System.

SECTION 13. Construction Account; Disposition of Bond Proceeds.

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

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

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

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

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

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

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

SECTION 14. Refunding Account; Plan of Refunding.

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

The Finance Manager is authorized to determine, in consultation with the county’s financial advisors, which of the Refunded Bonds, if any, are to be refunded. Each plan of refunding and call for redemption of Refunded Bonds shall be set forth in and ratified and confirmed by a Sale Motion. Money in each Refunding Account shall be used immediately upon receipt thereof to defease the applicable Refunded Bonds and discharge the other obligations of the county relating thereto under the ordinances that authorized such Refunded Bonds, by providing for the payment of the principal of and interest on such Refunded Bonds as set forth in a Sale Motion. The county shall defease such bonds and discharge such obligations by the use of the money in each Refunding Account to purchase Government Obligations (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 that, together with any necessary beginning cash balance, will provide for the payment of such Refunded Bonds, as set forth in the Sale Motion. Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to obligations acquired in connection with refunding bond issues.

In connection with the issuance of each series of the Refunding Bonds, to carry out the refunding and defeasance of Refunded Bonds, the Finance Manager is hereby authorized to appoint as escrow agent a bank or

trust company qualified by law to perform the duties described herein (each, an “Escrow Agent”). 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 14 and a Sale Motion.

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

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

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

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

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

For the purpose of meeting the requirement of this Section 16, but only from and after such time as no

1994A Bonds and 1995 Bonds remain outstanding, there may be added to Revenue of the System for any fiscal year any amount withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund. There shall be subtracted from Net Revenue for any fiscal year any amounts in such year withdrawn from the Revenue Fund and deposited into the Rate Stabilization Fund in such fiscal year.

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

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

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

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

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

E. Insurance. The county will at all times carry fire and extended coverage and such other

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

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

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

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

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

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

SECTION 19. Trustee for Bondowners.

A. Appointment of Trustee. Upon the occurrence of any “event of default” described in Section 20.A of this ordinance, the owners of a majority in principal amount of the outstanding Parity Bonds

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

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

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

The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed, sent or delivered by the person or persons by whom such paper or document shall purport to have been signed, sent or delivered.

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

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

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

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

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

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

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

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

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

In the event that default shall be made in the payment of principal of any Parity Bond and such default shall continue for a period of thirty days, the Trustee shall be entitled to declare all outstanding Parity Bonds immediately due and payable and may proceed to enforce payment thereof as hereinabove provided. In the event any default shall, in the sole judgment of the Trustee, be cured and the Trustee shall furnish the county a certificate so stating, such default shall be conclusively deemed to be cured, and the county, Trustee and owners and holders of Parity Bonds shall be restored to the same rights and position they would have held if no event of default had occurred.

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

D. Procedure by Bond Owners. No owner of any one or more of the Bonds shall have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same, unless an event of default has occurred and unless no Trustee has been appointed as herein provided, but any remedy

herein authorized to be exercised by a Trustee may be exercised individually by any Bondowner, in his own name and on his own behalf or for the benefit of all Parity Bondowners, in the event that no Trustee has been appointed, or with the consent of the Trustee if such Trustee has been appointed.

E. Application of Money Collected by Trustee. Any money collected by the Trustee at any time pursuant to this section shall be applied, first, to the payment of its charges, expenses, advances and compensation and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amount then due and unpaid upon the Parity Bonds, ratably and without preference or priority of any kind not expressly provided in this ordinance, according to the amounts due and payable upon such bonds at the date fixed by the Trustee for the distribution of such money, upon presentation of the several bonds and upon causing such payment to be stamped thereon, if partly paid, and upon surrender thereof, if fully paid.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Instead of the certificate described in subsection D(1) above, the county may elect instead to have on file a certificate of the Finance Manager demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18 calendar months Revenue of the System, less Operating and Maintenance Expenses for such period, was at least equal to 1.25 times the amount required to pay, in each year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service for such year.

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

The principal amount of Future Parity Bonds issued pursuant to this subsection F may include amounts necessary to pay the principal of the Parity Bonds or other obligations to be refunded, interest thereon to the date of payment or redemption thereof, any premium payable thereon upon such payment or redemption and the costs of issuance of such Future Parity Bonds, and if there shall have been provided a Payment Agreement with respect to the obligations to be refunded, may include amounts necessary to make the payment of all amounts, if any, due and payable by the county under such Payment Agreement. The proceeds of such Future Parity Bonds shall be held and applied in such manner as is provided for in the ordinance authorizing the issuance of the Parity Bonds or other obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the Parity Bonds or other obligations to be refunded thereby shall be deemed to be no longer outstanding in accordance with the ordinance authorizing their issuance.

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

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

SECTION 23. Parity Payment Agreements.

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

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

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

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

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

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

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

(b) County Obligated to Make Payments Based on Variable Rate Index. If

the county is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, payments by the county will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement.

E. Prior Notice to Moody's and Standard & Poor's. The county shall give notice to Moody's Investors Service and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, thirty days prior to the date it intends to enter into a Parity Payment Agreement.

SECTION 24. Sale of Bonds.

A. Determination by Finance Manager. The Finance Manager shall determine, in consultation with the county's financial advisors, which of the Refunding Candidates shall be refunded, whether the Refunding Bonds and Project Bonds shall be sold separately or sold in a combined series, and whether each such series of the Bonds shall be sold by negotiated sale or competitive bid and by current or future delivery. The authority to sell any of the Bonds authorized hereunder shall terminate one year from the effective date of this ordinance.

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

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

C. Procedure for Sale by Competitive Bid. If the Finance Manager determines that any

series of the Bonds shall be sold by competitive bid, bids for the purchase of such Bonds shall be received at such time or place and by such means as the Finance Manager shall direct. The Finance Manager is authorized to prepare a notice of sale for such Bonds, establishing in such notice the date, principal amount, interest payment dates, maturity schedule and redemption and bond insurance provisions for such Bonds. The official notice of sale or an abridged form thereof shall be published in such newspapers or financial journals as may be deemed desirable or appropriate by the financial advisors to the county.

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

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

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

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

Following the sale of any series of the Bonds in accordance with Section 24 of this ordinance, the Finance Manager is hereby authorized to review and approve on behalf of the county a final official statement with respect to such Bonds. The county agrees to cooperate with the purchaser of such Bonds to deliver or

cause to be delivered, within seven business days from the date of the Sale Motion and in sufficient time to accompany any confirmation that requests payment from any customer of the purchaser, copies of the final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (“MSRB”).

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

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

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

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

SECTION 30. Defeasance. In the event that money and/or noncallable Government Obligations maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire, refund or defease part or all of the Bonds in accordance with their terms, are set aside in a special account of the county to effect such redemption and retirement, and such money and the principal of and interest on such Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and such Bonds shall be deemed not to be outstanding hereunder.

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

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

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

B. To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance or any ordinance authorizing Future Parity Bonds in regard to matters or questions arising under such ordinances as the county council may deem necessary or desirable and not inconsistent with such ordinances and which shall not adversely affect the interest of the holders and owners of Parity Bonds.

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

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

INTRODUCED AND READ for the first time this ____ day of _____, 2003.
PASSED by a vote of _____ to _____ this _____ day of _____, 2003.

EXHIBIT A

FORM OF BOND

NO. _____ \$ _____

UNITED STATES OF AMERICA
STATE OF WASHINGTON

KING COUNTY

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

INTEREST RATE: _____ MATURITY DATE: _____ CUSIP NO.: _____

Registered Owner: _____

Principal Amount: _____

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

Both principal of and interest on this bond are payable in lawful money of the United States of America. While bonds are held in an immobilized "book entry" system of registration, the principal of this bond is payable to the order of the Registered Owner in same day funds received by the Registered Owner on the maturity date of this bond, and the interest on this bond is payable to the order of the Registered Owner in same day funds received by the Registered Owner on each interest payment date. When bonds are no longer held in an immobilized "book entry" registration system, the principal shall be paid to the Registered Owner or nominee of such owner upon presentation and surrender of this bond at either of the principal offices of the fiscal agency of the State of Washington in either Seattle, Washington or New York, New York (collectively the "Bond Registrar"), and the interest shall be paid by mailing a check or draft (on the date such interest is due) to

the Registered Owner or nominee of such owner at the address shown on the registration books maintained by the Bond Registrar (the "Bond Register") as of the 15th day of the month prior to the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 par value of the bonds, interest will be paid by wire transfer.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of \$_____ (the "Bonds"), issued pursuant to Ordinance _____ of the County and Motion _____ of the County Council (together, the "Bond Ordinance"), all payable solely from the special fund of the County known as the Water Quality Revenue Bond Account (the "Bond Fund"). Capitalized terms used in this bond and not defined herein shall have the meanings given such terms in the Bond Ordinance.

The Bonds are issued to provide funds [for capital improvements to the sewer system of the County (the "System")] [to refund certain outstanding sewer revenue bonds of the county]. The Bonds are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington, the County Charter and applicable ordinances duly adopted by the County including the Bond Ordinance

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

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

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

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

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

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

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or

benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington and the Charter and ordinances of the County to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this bond and the bonds of this series 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 signatures of the County Executive and to be attested by the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as of this ____ day of _____, 20__.

KING COUNTY, WASHINGTON

By /s/
King County Executive

ATTEST:

/s/
Clerk of the County Council

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

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

UNIF GIFT (TRANSFERS) MIN ACT — Custodian
 (Cust) (Minor)
 under Uniform Gifts (Transfers) to Minors Act
 (State)

Additional abbreviations may also be used though not listed above.

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

CERTIFICATE OF AUTHENTICATION

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

WASHINGTON STATE FISCAL AGENCY, as Bond Registrar

By

Authorized Signatory

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

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

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

DATED: _____, 20__.

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

SIGNATURE GUARANTEED:

NOTICE: Signatures must be guaranteed pursuant to law.