



## Legislation Details (With Text)

**File #:** 2007-0190 **Version:** 1

**Type:** Ordinance **Status:** Passed

**File created:** 3/26/2007 **In control:** Operating Budget, Fiscal Management and Mental Health Committee

**On agenda:** **Final action:** 5/21/2007

**Enactment date:** 5/31/2007 **Enactment #:** 15779

**Title:** AN ORDINANCE authorizing the issuance of the county's limited tax general obligation bonds (payable from sewer revenues) in the aggregate principal amount of not to exceed \$440,000,000 to provide funds for refunding certain bonds of the county payable from sewer revenues; providing for the form, terms and covenants of such bonds and for a plan of refunding; providing for the sale of the bonds; establishing funds for the receipt and expenditure of bond proceeds and for the payment of the bonds; providing for the annual levy of taxes to pay the principal thereof and interest thereon; and pledging sewer revenues as additional security for the bonds.

**Sponsors:** Bob Ferguson

**Indexes:** Bonds, Funds

**Code sections:**

**Attachments:** 1. 15779.pdf, 2. 2007-0190 transmittal letter.doc, 3. 2007-0190, 0191, 0192, 0193, 0194, 0195 Staff Report for 05-09-07 OBFMMHC.doc, 4. A. EXHIBIT A Form of Bond

Date	Ver.	Action By	Action	Result
5/21/2007	1	Metropolitan King County Council	Hearing Held	
5/21/2007	1	Metropolitan King County Council	Passed	Pass
5/9/2007	1	Operating Budget, Fiscal Management and Mental Health Committee	Recommended Do Pass	Pass
3/26/2007	1	Metropolitan King County Council	Introduced and Referred	

Clerk 3/12/2007

AN ORDINANCE authorizing the issuance of the county's limited tax general obligation bonds (payable from sewer revenues) in the aggregate principal amount of not to exceed \$440,000,000 to provide funds for refunding certain bonds of the county payable from sewer revenues; providing for the form, terms and covenants of such bonds and for a plan of refunding; providing for the sale of the bonds; establishing funds for the receipt and expenditure of bond proceeds and for the payment of the bonds; providing for the annual levy of taxes to pay

the principal thereof and interest thereon; and pledging sewer revenues as additional security for the bonds.

**PREAMBLE:**

The county owns and operates facilities for the conveyance and treatment of sewage and control of combined sewer overflows that include, but are not 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, and buildings and other structures (collectively the "Sewer System" or the "System"), all in accordance with a comprehensive plan for metropolitan water pollution abatement under the authority of chapters 36.56 and 35.58 of the Revised Code of Washington ("RCW").

Long term service agreements with participating municipalities (the "Participants") obligate the county, 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"):

<b>Designation</b>	<b>Ordinance</b>	<b>Date of Issue</b>	<b>Original Principal</b>	<b>Outstanding Principal (1/1/2007)</b>
1999 (2 <sup>nd</sup> ) Bonds	13650	11/01/1999	60,000,000	2,270,000
2001 Bonds	14225	11/28/2001	270,060,000	229,925,000
2002A Bonds	14406	8/14/2002	100,000,000	94,960,000
2002B Bonds	14406	10/03/2002	346,130,000	291,715,000
2003A Bonds	144064/24/2003	93,005,000		96,470,000
2004A Bonds	14753	3/18/2004	185,000,000	185,000,000
2004B Bonds	14753	3/18/2004	61,760,000	59,840,000
2006 Bonds	15385	5/16/2006	124,070,000	124,070,000
2006 (2 <sup>nd</sup> ) Bonds	15385	11/30/2006	193,435,000	193,435,000

The county has issued the following series of limited tax general obligation bonds additionally secured

by a lien on revenues of the Sewer System junior and subordinate to the lien thereon of the Parity Bonds (the "Parity Lien Obligations"):

<b>Designation</b>	<b>Ordinance</b>	<b>Date of Issue</b>	<b>Original Principal Outstanding</b>	<b>Principal (1/1/2007)</b>
Series 1996	12314	12/15/1996	\$ 130,965,000	\$ 2,730,000
Series 1998	13256	9/15/1998	261,625,000	247,810,000
Series 2005	15033	4/21/2005	200,000,000	200,000,000

The county may have opportunities to refund certain of the currently outstanding Parity Bonds and

Parity Lien Obligations (the "Refunding Candidates") and thereby realize savings to the county and to ratepayers of the Sewer System. It is deemed necessary and advisable that the county authorize the issuance and sale of not to exceed \$440,000,000 principal amount of additional Parity Lien Obligations for such refunding opportunities, as provided herein (the "Bonds").

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's Finance Director authority to sell the Bonds in one or more series by competitive bid or negotiated sale, as provided in this ordinance.

The ordinances that authorized the issuance of the currently outstanding Parity Lien Obligations provide that the county may issue additional Parity Lien Obligations 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 additionally to secure the Bonds shall be on a parity with the pledge of such revenues to secure the outstanding Parity Lien Obligations.

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.

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

(1) The interest due for all outstanding Parity Bonds and Parity Lien Obligations (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 any Parity Payment Agreements and Parity Lien Obligation Payment Agreements, minus any Payment Agreement Receipts due in such period in respect of any Parity Payment Agreements and Parity Lien Obligation Payment Agreements.

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

(ii) The amount of interest deemed to be payable on any issue of Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations 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 or Parity Lien Obligations shall be taken into account.

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

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 Appreciation Bonds.

Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien Obligations 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 or Parity Lien Obligations and the terms of the applicable Payment Agreement, in accordance with the requirements for Payment Agreements set forth in the ordinances authorizing issuance of such Parity Bonds or Parity Lien Obligations.

"Bank Note" means the bank note authorized to be issued by Ordinance No. 12057 of the county, as amended, to secure payment of the Commercial Paper Notes.

"Bond Fund" means the "Water Quality Limited Tax General Obligation Bond Redemption Fund" established pursuant to Section 8 of Ordinance 11241 of the county for the purpose of paying the Parity Lien

Obligations.

"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.

"Bonds" means all or a portion of the limited tax general obligation bonds (payable from sewer revenues) of the county authorized to be issued in an aggregate principal amount of not to exceed \$440,000,000, in one or more series, pursuant to this ordinance to refund certain bonds of the county payable from Revenue of the System. "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 No. 12057 of the county, as amended.

"Commission" means the United States 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, 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 No. 12076 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 Fitch, Moody's and S&P not lower than the credit rating of any series of Parity Lien Obligations, to provide support for a series of Parity Lien Obligations (including Variable Rate Parity Lien Obligations), and shall include any substitute therefor in accordance with the provisions of the ordinance providing for the issuance of Parity Lien Obligations 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 Bonds.

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

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

"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.

"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, the county's Junior Lien Multi-Modal Sewer Revenue Bonds, Series 2006A and Series 2006B, issued under date of October 4, 2006, as authorized by Ordinances 15584 and 15585, 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.

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

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

"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 Bond Fund" means the "Water Quality Revenue Bond Account," as designated by Section 30 of Ordinance No. 12076 of the county for the purpose of paying and securing the payment of Parity Bonds.

"Parity Bond Ordinances" means the ordinances of the county authorizing the issuance of the Parity Bonds.

"Parity Bond Reserve Account" means the bond reserve account in the Parity Bond Fund.

"Parity Bonds" means the bonds identified as such in the Preamble to this ordinance and any Future Parity Bonds. "Parity Bonds" include any Parity Payment Agreements and parity reimbursement agreements entered into with the provider of a credit facility serving any Parity Bonds.

"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 Bond Fund to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

"Parity Lien Obligations" means the bonds identified as such in the Preamble to this ordinance, the 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 with the lien thereon of the outstanding Parity Lien Obligations and the Bonds. "Parity Lien Obligations" include any Parity Lien Obligation Payment Agreements and parity reimbursement agreements entered into with the provider of a Credit Facility.

"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 Parity 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 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 an entity that at the time the agreement is entered into is 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.

"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.

"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 loan agreements in effect as of the date of this ordinance 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 such loan agreements.

"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 A- by Fitch, A3 by Moody's and A- by S&P, 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.

"Rate Stabilization Fund" means the fund of that name 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 Bonds, those Refunding Candidates that shall be refunded from proceeds of such series of Bonds, as determined by the Finance Director and identified in a Sale Motion in accordance with Section 14 hereof.

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

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

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

"Revenue Fund" means the "Water Quality Operating Account," as designated by Section 30 of Ordinance No. 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.

"S&P" means Standard and Poor's Ratings Services, a Division of The McGraw-Hill Companies, duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the county.

"Sale Motion" means a motion of the council approving each sale of a series of the Bonds, in accordance with Section 22 hereof.

"Service Agreements" means the sewage disposal agreements entered between 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 loan agreements in effect as of the date of this ordinance and any loans and 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 such loan agreements.

"State" means the State of Washington.

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

"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.

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

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

"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.

"Variable Rate Parity Lien Obligations" means Parity Lien Obligations 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 Lien Obligations, which Agreement converts the effective interest rate to the county on the Variable Rate Parity Lien Obligations from a variable interest rate to a fixed interest rate or (ii) the Parity Lien Obligations bear interest at a variable rate but are issued concurrently in equal par amounts with other Parity Lien Obligations 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. Refunding Opportunities. The county may be able to realize significant debt service savings by refunding certain 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 Director 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. Satisfaction of Parity Conditions. In accordance with the provisions of Section 23 of Ordinance 12314, Section 22 of Ordinance 13256, and Section 19 of Ordinance 15033, which permit the issuance of additional Parity Lien Obligations upon compliance with the conditions set forth therein (the "Parity Conditions"), the county council hereby finds and determines, as follows:

(i) The 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.

(ii) There is not now, and when the Bonds are issued there shall not then be, any deficiency in the Parity Bond Fund, the Bond Fund or any other bond fund or account securing Parity Lien Obligations.

(iii) On or prior to the Closing of any series of Bonds, there shall have been filed with the clerk of the county council a certificate of the Finance Director stating that immediately after the issuance of such series of Bonds the annual debt service for each year that such series of Bonds and any other Parity Lien Obligations are then outstanding shall not be increased by more than \$5,000 by reason of the issuance of such series of Bonds.

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 Lien Obligations.

**SECTION 3. Authorization of Bonds.** To provide funds to refund the Refunded Bonds, the county shall issue the Bonds in an aggregate principal amount not to exceed \$440,000,000. The Bonds shall be issued and sold in one or more series, as provided in Section 22, each series to be designated as "King County, Washington, Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues)" with an

applicable year and series designation. 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 22 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 22 hereof and ratified and confirmed by a Sale Motion.

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

A. 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/Letter 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 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 to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the county may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide 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, 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.

(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 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 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 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 series, 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 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; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal amount of a series of Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located within the United States. 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 22 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 at random by the Bond Registrar (or in such other manner as the Bond Registrar may determine) 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 in accordance with the operational arrangements of DTC then in effect.

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, (10) information regarding the county's right to cancel an optional redemption prior to the designated redemption date by giving notice of such cancellation, and (11) any other information relating to the redemption or to 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. Cancellation of Redemption. The county may cancel any notice of an optional redemption of Bonds by giving written notice of such cancellation no later than seven days prior to the designated redemption date to all parties who were given notice of redemption in the same manner as such notice was given.

C. Effect of Redemption. Unless the county has cancelled 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.

D. 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 on 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 on Exhibit A of this ordinance, manually executed by the Bond Registrar, shall be valid 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, 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 Director and the Bond Registrar.

**SECTION 9. Bond fund.** There has heretofore been created a special fund of the county known as the "Water Quality Limited Tax General Obligation Bond Redemption Fund" (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 the Parity Lien Obligations. 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 Lien Obligations.

A. **Debt Service Account.** A "Debt Service Account" has heretofore been established in the Bond Fund. The county hereby obligates and binds itself to set aside and pay into said Account out of the Revenue of the System amounts sufficient, together with accrued interest, if any, received at the time of delivery of the Bonds and deposited therein, income from the investment of money in the Debt Service Account and any other money on deposit in the Debt Service Account and legally available, to pay the principal of and interest on outstanding 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 Provisions. If any Bonds are designated as Term Bonds pursuant to Section 22 hereof, the Sale Motion for such series of Bonds shall set forth a mandatory redemption schedule to amortize the principal of such Term Bonds. Payments of principal of Term Bonds under any such mandatory redemption schedule shall be made from the Debt Service Account, as provided in Section 9.A above; provided, however, that if more than the required principal amount of such Term Bonds is retired by purchase or optional redemption in any given year, the mandatory redemption amount in the next succeeding year or years may be reduced accordingly.

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

**SECTION 10. Pledge of Taxation and Credit.** The county hereby irrevocably covenants and agrees for as long as any of the Bonds are outstanding and unpaid, that each year it will include in its budget and levy an *ad valorem* tax upon all the property within the county subject to taxation in an amount that will be sufficient, together with all other revenues and money of the county legally available for such purposes, to pay the principal of and interest on the Bonds as the same shall become due. All of such taxes so collected shall be

paid into the Bond Fund no later than the date such funds are required for the payment of principal and interest on the Bonds.

The county hereby irrevocably pledges that the annual tax herein authorized to be levied for the payment of such principal and interest shall be within and a part of the tax levy permitted to counties without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the county prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds.

The full faith, credit and resources of the county are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

**SECTION 11. 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 subject to Operating and Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on such Revenue for the payments required by the Parity Bond Ordinances to be made into the Parity Bond Fund and the accounts therein, and equal to the lien and charge on such Revenue of the payments required to be made by the ordinances authorizing the issuance of the outstanding Parity Lien Obligations and any additional Parity Lien Obligations, and superior to all other liens and charges on such Revenue whatsoever.

**SECTION 12. Revenue Fund.** A special account of the county designated as the "Water Quality Operating Account" (the "Revenue Fund") has heretofore been established and maintained for the deposit of all Revenue of the System. All Operating and Maintenance Expenses shall be paid out of the Revenue Fund or appropriate reserves therein.

A special fund of the county designated as the "Sewer Rate Stabilization Fund" (the "Rate Stabilization Fund") has been established in anticipation of increases in revenue requirements of the System. In accordance with the provisions of Section 13 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 13. Sewer Revenue Priorities of Payment.** So long as any Bond is 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 all payments required to be made pursuant to a reimbursement agreement or agreements (or other equivalent documents) in connection with any surety bond or letter of credit obtained for the Parity Bond Reserve Account, 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;

Fourth, to establish and maintain the Parity Bond Reserve Account (including the cost of obtaining surety bonds or letters of credit therefor);

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

Sixth, 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 with respect to any Payment Agreements entered into with respect to Junior Lien Obligations, and to make any payments required to be made to providers of any credit enhancement or liquidity facilities for Junior Lien Obligations;

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



Eighth, 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 Subordinate Lien Obligations, as the same shall become due and payable;

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

Tenth, 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, or (iv) for any other lawful purposes of the county related to the System.

#### **SECTION 14. Refunding Account; Plan of Refunding.**

A. Refunding Account; Guidelines for Refunding. There is hereby authorized to be 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 Bonds and to refunding the applicable Refunded Bonds. Proceeds of the sale of any Bonds, together with other county funds that may be designated for such purpose, 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 Bonds.

The Finance Director is authorized to determine, in consultation with the county's financial advisors, which of the Refunded Bonds, if any, are to be refunded. In determining which of the Refunding Candidates, if

any, should be advance refunded under the authority of this ordinance, the council intends that the Finance Director adhere to a refunding guideline that the present value of the savings achieved by any advance refunding meet or 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 ninety (90) days prior to such date fixed for redemption.

B. Plan of Refunding. 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 Bonds, to carry out the refunding and defeasance of Refunded Bonds, the Finance Director 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 setting forth such provisions for the payment of the fees, compensation and expenses of such Escrow Agent as are satisfactory to it. To carry out the purposes of this section of this ordinance, the Finance Director is authorized and directed to execute and deliver to each Escrow Agent an escrow agreement in form approved by the county's bond counsel.

C. 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 Bonds.

**SECTION 15. Due Regard for 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 Covenants.**

A. Rate Covenant -- General. 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 shall be fair and nondiscriminatory and adequate to provide Revenue of the System sufficient for the proper operation and maintenance of the System; for the punctual payment of the principal of and interest on all outstanding Parity Bonds for which payment has not otherwise been provided and all amounts that the county is obligated to set aside in the Parity Bond Fund securing the Parity Bonds; for the punctual payment of the principal of and interest on all outstanding Parity Lien Obligations and for all amounts that the county is obligated to set aside in the Bond Fund; and for the payment of any and all

other amounts that the county is now or may hereafter become obligated to pay from Revenue of the System.

B. Rate Covenant -- Coverage. The county hereby covenants with the owner of each of the Bonds for as 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, Construction Account, Parity Bond Fund and the Bond Fund, will provide in each calendar year Net Revenue in an amount equal to at least 1.15 times the amounts required to pay the Annual Debt Service for such calendar year.

For the purpose of meeting the requirement of this Section 16.B, 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 makes the following covenants and warranties:

A. The county has full legal right, power and authority to adopt this ordinance, to sell, issue and deliver the Bonds as provided herein, and to carry out and consummate all other transactions contemplated by this ordinance.

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

C. This ordinance constitutes a legal, valid and binding obligation of the county.

D. The Bonds, when issued, sold, authenticated and delivered, will constitute the legal, valid and binding general obligations of the county.

E. The adoption of this ordinance, and compliance on the county's part with the provisions contained

herein, will not conflict with or constitute a breach of or default under any constitutional provisions, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement or other instrument to which the county is a party or to which the county or any of its property or assets are otherwise subject, nor will any such adoption, execution, delivery, sale, issuance or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the county or under the terms of any such law, regulation or instrument, except as may be provided by the Bonds and this ordinance.

F. The county finds and covenants that the Bonds are issued within all statutory and constitutional debt limitations applicable to the county.

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

H. The System and all additions thereto and extensions thereof will at all times be maintained in good repair, working order and condition, and such System and the business in connection therewith will at all times be operated in an efficient manner and at a reasonable cost.

I. 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 Lien Obligations in accordance with the terms thereof, nor will it sell or voluntarily dispose of any part of the operating properties of such 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 Lien Obligations 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 Lien Obligations as provided herein at the earliest possible date.

From and after such time as no 1996 Bonds and 1998 Bonds remain outstanding, notwithstanding any other provision of this subsection I to the contrary, 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.

J. The county will cause proper books of record and accounts of operation of the System to be kept, including an annual financial report, and, so long as any 1996 Bonds or 1998 Bonds remain outstanding, shall cause a quarterly financial and operating statement to be prepared as soon as may be practicable following each quarterly period for the preceding quarter's business and operation of the System. Said statement shall be filed promptly upon its completion with the county council and shall be sent to the Registered Owner of any Bonds upon written request being made therefor. From and after such time as no 1996 Bonds and 1998 Bonds remain outstanding, this requirement for a quarterly report shall terminate.

K. Not later than 120 days after the end of each fiscal year of the county, so long as any 1996 Bonds or 1998 Bonds remain outstanding, the county will cause an annual audit of the accounts and records of the System to be made by Certified Public Accountants with experience in municipal utility accounting. Such audit shall certify as to the compliance or noncompliance by the county with the financial covenants of this ordinance and shall accurately and completely reflect the financial condition of the System. The audit shall be delivered to the clerk of the county council, shall be paid for by the county and shall be made available to the Registered Owner of any Bond upon written request being made therefor. From and after such time as no 1996 Bonds and 1998 Bonds remain outstanding, this requirement for an annual audit shall terminate.

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 Registered Owner of any Bond upon written request therefor.

L. 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.

M. 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.

N. 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 Bonds under or with respect to such agreements.

O. Not later than 120 days after the end of each calendar year, so long as any 1996 Bonds or 1998 Bonds remain outstanding, the county will cause an annual report regarding the System to be prepared by its consulting engineers or by an independent consulting engineer or engineering firm experienced in the design, construction and operation of municipal utilities who shall examine the System and state whether the county has maintained same in good repair, working order and condition and has operated the business in connection

therewith in an efficient manner, whether all required insurance is being maintained, and whether repairs, renewals or replacements should be made to the System to insure its continued satisfactory working order. The engineer's report shall be delivered to the Clerk of the county council, shall be paid for by the county and shall be made available to the Registered Owner of any Bonds upon written request being made therefor.

From and after such time as no 1996 Bonds and 1998 Bonds remain outstanding, this requirement for an annual report shall terminate.

#### SECTION 18. Tax-Exemption.

A. General. The county intends that interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Code, and the applicable regulations. The county covenants not to take any action, or knowingly omit to take any action within its control, that if taken or omitted would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes.

B. Tax Certificate. Upon the issuance of each series of Bonds, the Finance Director is authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify to various facts and representations concerning such series of Bonds, based on the facts and estimates known or reasonably expected on the date of issuance of such series of Bonds, and make certain covenants with respect to such series of Bonds, including but not limited to the following:

(i) *No Private Activity Bonds.* The proceeds of such series of Bonds will not be used in a manner that would cause such Bonds to be "private activity bonds" within the meaning of the Code, as further described in the Tax Certificate. Moreover, the county covenants that it will use the proceeds of such Bonds (including interest or other investment income derived from Bond proceeds), regulate the use of property financed or refinanced, directly or indirectly, with such proceeds, and take such other and further action as may be required so that such Bonds will not be "private activity bonds."

(ii) *No Federal Guarantee.* The county has not and will not take any action, and has not knowingly



omitted and will not knowingly omit to take any action within its control, that, if taken or omitted would cause such Bonds to be "federally guaranteed" within the meaning of the Code, as further described in the Tax Certificate.

(iii) *No Arbitrage Bonds.* The county reasonably expects that the proceeds of such Bonds will not be used in a manner that would cause such Bonds to be "arbitrage bonds" within the meaning of the Code, as further described in the Tax Certificate.

(iv) *No Hedge Bonds.* The county reasonably expects that at least 85% percent of the proceeds of such Bonds will be spent within three years of the date such Bonds are issued to carry out the governmental purposes of such Bonds.

The county covenants that it will comply with the Tax Certificate unless it receives advice from nationally recognized bond counsel or the Internal Revenue Service that certain provisions have been amended or no longer apply to the Bonds.

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

#### SECTION 19. Additional Obligations of the System.

A. Additional Parity Bonds. The county expressly reserves the right to issue additional Parity Bonds in accordance with the Parity Bond Ordinances. Subject to this reservation of rights with respect to Parity Bonds, the county hereby covenants and agrees that for so long as the Bonds are outstanding it will not issue or incur any other additional indebtedness secured in whole or in part by a lien on Revenue of the System superior to the lien of the Bonds.

#### B. Additional Parity Lien Obligations.

(i) *Parity Lien Obligations Other Than Refunding Bonds.* The county expressly reserves the right to

issue or enter into additional Parity Lien Obligations (including Variable Rate Parity Lien Obligations as defined herein) for any lawful purpose of the county related to the System if at the time of issuing or entering into such Parity Lien Obligations:

(a) There shall not be any deficiency in the Parity Bond Fund, the Bond Fund or any other bond fund or account securing Parity Lien Obligations.

(b) The county shall have on file a certificate from a licensed professional engineer experienced in the design, construction and operation of municipal utilities of scope similar to the System (the certificate may not be dated more than 90 days prior to the date of delivery of such Parity Lien Obligations) showing that in his or her professional opinion, the "annual income available for debt service on Parity Bonds and Parity Lien Obligations" for each year during the life of such Parity Lien Obligations shall be at least equal to 1.25 times the amount required to pay Annual Debt Service in each such year.

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

1. 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 Parity Lien Obligations being issued.

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

3. If there were any Customers added to the System during such 12-month period or thereafter and prior to the date of the engineer'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.

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

5. For each year following the proposed date of issuance of such Parity Lien Obligations the

engineer 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 Parity Bond Fund, the Bond Fund and the Construction Account, which will be determined by and in the sole discretion of a firm of nationally recognized financial consultants selected by the county.

6. Beginning with the second year following the proposed date of issue of such Parity Lien Obligations and for each year thereafter the engineer 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 engineer's estimate of the number of customers served shall not assume a 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.

7. 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 Parity Lien Obligations 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 which 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.

(d) From and after such time as no 1996 Bonds and 1998 Bonds remain outstanding, the certificate described in subparagraphs (b) and (c) above may be prepared by a Professional Utility Consultant.

(e) From and after such time as no 1996 Bonds and 1998 Bonds remain outstanding, instead of the

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

(ii) *Parity Lien Obligations That Are Refunding Bonds.*

(a) The county may at any time for the purpose of refunding at or prior to their maturity any outstanding Parity Lien Obligations or any bonds or other obligations of the county payable from Revenue of the System issue additional Parity Lien Obligations without complying with the provisions of Section 19.B(i) (b) hereof if there shall have been filed with the clerk of the county council a certificate of the Finance Director stating that immediately after the issuance of such Parity Lien Obligations the annual debt service for each year that Bonds and any other Parity Lien Obligations (other than 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 Parity Lien Obligations.

(b) The principal amount of such Parity Lien Obligations may include amounts necessary to pay the principal of the 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 Parity Lien Obligations, 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 Parity Lien Obligations shall be held and applied as is provided in the ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded thereby shall be deemed to be no longer outstanding in accordance with the ordinance authorizing their issuance.

(c) At the election of the county, the provisions of this Section 19.B(ii) shall not be applicable to the refunding at one time of all the Parity Lien Obligations then outstanding.

(d) Additional Parity Lien Obligations for the purpose of refunding outstanding Parity Lien Obligations or bonds or other obligations of the county payable from Revenue of the System may also be issued upon compliance with the provisions of Section 19.B(i) hereof.

(e) Nothing contained in this ordinance shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the county from issuing Parity Lien Obligations to refund maturing Parity Lien Obligations of the county for the payment of which money is not otherwise available.

C. Subordinate Obligations. Nothing in this ordinance shall prohibit, or be deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or other evidences of indebtedness for any purpose of the county related to the System payable in whole or in part from Revenue of the System and secured by a lien on such Revenue that is junior, subordinate and inferior to the lien of the Bonds.

**SECTION 20. Reimbursement Obligations.** If the county elects to secure any Parity Lien Obligations with a Credit Facility, the county may contract with the entity providing such Credit Facility so that the reimbursement obligation, if any, to such entity is a Parity Lien Obligation.

**SECTION 21. 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 Lien Obligation 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 Lien Obligation 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 Lien Obligation 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 Lien Obligations With

Respect to Which a Parity Lien Obligation Payment Agreement Is in Force. It is the intent of the county for purposes of Sections 16 or 19 of this ordinance that debt service on Parity Lien Obligations with respect to which a Parity Lien Obligation 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 Lien Obligations and the terms of the Parity Lien Obligation 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 Lien Obligations with respect to which a Parity Lien Obligation 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 Lien Obligations 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 Lien Obligations because the Parity Lien Obligation Payment Agreement is not then related to any outstanding Parity Lien Obligations, Payment Agreement Payments on that Parity Lien Obligation 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 Lien Obligation 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 Lien Obligation 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 Rating Agencies. The county shall give notice to Fitch, Moody's and S&P 30 days prior to the date it intends to enter into a Payment Agreement.

**SECTION 22. Sale of Bonds.**

A. Determination by Finance Director. The Finance Director shall determine, in consultation with the county's financial advisors, whether the Bonds shall be sold in one or more 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 two years from the effective date of this ordinance.

B. Procedure for Negotiated Sale. If the Finance Director determines that any series of the Bonds shall be sold by negotiated sale, the Finance Director 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 Director 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 Director shall direct. The Finance Director 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 Director 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, redemption and bond insurance provisions, and any other terms of such Bonds.

**SECTION 23. 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 in a form acceptable to DTC as initial depository for the Bonds.

If definitive Bonds are not ready for delivery by the date established for a Closing, then the Finance Director, 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 24. Preliminary Official Statement; Official Statement.** The county hereby authorizes and directs the Finance Director: (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, bond insurance, 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 the Bonds.

Following the sale of any series of the Bonds in accordance with Section 22 of this ordinance, the Finance Director 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 25. Undertaking to Provide Ongoing Disclosure.** In each Sale Motion, the county council will set forth an undertaking for ongoing disclosure with respect to such series of the Bonds, as required by Section (b)(5) of the Rule.

**SECTION 26. 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 27. Investment of Funds and Accounts.**

Money in the Revenue Fund, Bond Fund, and accounts or subaccounts therein 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 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 28. **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 provision to be adopted by each Sale Motion.

SECTION 29U **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 Lien Obligations, 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 additional Parity Lien Obligations 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 Lien Obligations.

**SECTION 30. Ordinance a Contract; Severability.** The covenants contained in this ordinance shall constitute a contract between the county and (i) the owners of each and every Bond, (ii) the Qualified Counterparty to any Parity Payment Agreement entered into with respect to any Bonds, and (iii) the provider of any bond insurance or Credit Facility with respect to any Bonds. 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 31. Effective Date.** This ordinance shall be effective 10 days after its enactment, in accordance with Article II of the county charter.

..ad requirements

none