

RON SIMS
LARRY PHILLIPS

INTRODUCED BY: _____

PROPOSED NO. 95-799

ORDINANCE NO. **12057**

AN ORDINANCE authorizing the issuance of sewer revenue bonds of the county; authorizing the issuance of not to exceed \$100,000,000 aggregate principal amount of sewer revenue bond anticipation notes of the county in a commercial paper series; authorizing the issuance of a bank note in an amount not exceeding \$100,000,000 in aggregate principal amount in connection therewith; prescribing the form of said notes and said bank note; approving the form of and authorizing the execution and delivery of various agreements relating to said notes; and making certain other covenants and agreements with respect thereto.

PREAMBLE:

In order to acquire, construct, install, develop and operate the facilities required to carry out a comprehensive water pollution abatement plan for the Seattle metropolitan area, the Municipality of Metropolitan Seattle, King County, Washington ("Metro") issued sewer revenue bonds (the "Parity Bonds") from time to time as funds were required. The issuance of Series A through Series Z of the Parity Bonds was provided for by resolutions adopted by the Metropolitan Council of Metro (the "Metro Council") pursuant to the authority of four resolutions authorizing the first through fourth stage developments of the comprehensive plan.

Metro issued the following series of the Parity Bonds dated on the following dates in the following principal amounts, which are now outstanding in the following amounts:

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Series	Date of Issue	Original Principal Amount	Principal Amount Outstanding
Series A	July 1, 1961	\$ 20,000,000	\$ 9,765,000
Series B	April 1, 1962	16,000,000	7,930,000
Series C	January 1, 1963	15,000,000	6,720,000
Series D	October 1, 1963	15,000,000	7,020,000
Series E	April 1, 1964	15,000,000	8,745,000
Series F	October 1, 1964	15,000,000	9,234,000
Series G	April 1, 1965	15,000,000	9,075,000
Series H	October 1, 1965	10,000,000	6,025,000
Series I	October 1, 1966	15,000,000	12,350,000
Series J	January 1, 1969	9,000,000	6,785,000
Series K	January 1, 1971	20,000,000	-0-
Series L	May 1, 1982	35,000,000	-0-
Series M	February 1, 1983	44,000,000	-0-
Series N	October 1, 1984	45,000,000	-0-
Series O	September 1, 1985	35,000,000	-0-
Series P	April 1, 1986	150,000,000	12,115,000
Series Q	March 1, 1987	135,000,000	13,635,000
Series R	September 1, 1988	48,000,000	5,515,000
Series S	August 1, 1990	100,000,000	9,845,000
Series T	May 1, 1991	100,000,000	21,500,000
Series U	February 1, 1992	90,000,000	89,565,000
Series V	August 1, 1992	119,580,000	119,580,000
Series W	January 1, 1993	90,000,000	90,000,000
Series X	March 1, 1993	136,305,000	135,030,000
Series Y	April 1, 1993	122,455,000	121,190,000
Series Z	July 1, 1993	127,100,000	124,380,000

Each resolution providing for the issuance of the outstanding Parity Bonds has provided that Metro could issue sewer revenue bonds that are a charge upon the Revenue of the System and money in the Sewer Revenue Fund junior, subordinate and inferior to the payments to be made therefrom into the Parity Bond Fund and any account therein for the security and payment of the principal of and interest on Parity Bonds.

Metro also borrowed \$48,800,000 through the water pollution control state revolving fund loan program administered by the Washington State Department of Ecology, payable from sewer revenues after payment of debt service on the Parity Bonds (the "SRF Loan"), pursuant to a loan agreement dated December 26, 1990, as amended from time to time (the "SRF Loan Agreement").

Pursuant to the authority of Chapter 36.56 of the Revised Code of Washington and a special election held on November 3, 1992, King County, Washington (the "county") on January 1, 1994, assumed the rights, powers, functions and obligations of Metro. The county has assumed and agreed to provide for the payment and retirement of Metro's outstanding obligations, including the Parity Bonds and the SRF Loan.

1 The county has issued the following series of limited tax general obligation bonds
 2 (payable from sewer revenues) (the "Parity Lien Obligations") dated as of the following dates in
 3 the following principal amounts, which are outstanding in the following principal amounts:

Series	Date of Issue	Original Principal Amount	Principal Amount Outstanding
Series 1994A	April 1, 1994	\$170,000,000	\$168,470,000
Series 1995	May 1, 1995	90,000,000	90,000,000

7 Pursuant to Ordinance Nos. 11241, as amended, and 11763 authorizing issuance of the
 8 1994A Bonds and the 1995 Bonds, the county may issue sewer revenue bonds that are a charge
 9 upon Revenue of the System and money in the Sewer Revenue Fund junior, subordinate and
 10 inferior to the payments to be made therefrom into the Bond Fund and any account therein for
 11 the security and payment of the principal of and interest on Parity Lien Obligations.

12 Pursuant to Chapter 39.50 RCW, the county is authorized, among other things, to
 13 borrow money in anticipation of the issuance of its revenue bonds when such bonds have been
 14 authorized by ordinance and to evidence such borrowing by bond anticipation notes of the
 15 county.

16 It is deemed necessary and advisable and in the financial interest of the county that the
 17 county authorize, issue and sell a commercial paper series of sewer revenue bond anticipation
 18 notes at this time for the purposes and in the amount hereinafter set forth.

19 It is deemed necessary and advisable that the county, in order to implement the
 20 commercial paper program, enter into Dealer Agreements with J. P. Morgan Securities Inc. and
 21 Smith Mitchell Investment Group (together, the "Dealers") and enter into an Issuing and Paying
 22 Agency Agreement with The Bank of New York and the Dealers.

23 It is deemed necessary and advisable that the county, in order to provide for a source of
 24 payment of the principal of the Notes (hereinafter defined), enter into a Line of Credit
 25 Agreement with Bayerische Landesbank Girozentrale, acting through its New York Branch, and
 26 issue its Bank Note (hereinafter defined) in the aggregate principal amount of up to
 27 \$100,000,000.

28 It is deemed necessary and advisable that certain officers of the county be authorized to
 29 determine, in concert with the Dealers, the dates of issuance, principal amounts, purchase prices,
 30 maturity dates and interest rates of the Notes issued pursuant to this ordinance.

31 The council desires that such Authorized Officers (hereinafter defined) of the county
 32 make such determination and take all necessary steps to complete the transactions contemplated

1 by this ordinance, the Dealer Agreements, the Line of Credit Agreement and the Issuing and
2 Paying Agency Agreement.

3 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

4 SECTION 1. Definitions. Unless the context shall clearly indicate otherwise, the
5 following terms shall, for all purposes hereof, have the meanings set forth below:

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

9 "Advance" or "Advances" have the meanings given such terms in the Line of Credit
10 Agreement.

11 "Anticipated Sewer Revenue Bonds" means the sewer revenue bonds authorized by
12 Section 2 hereof to be issued out of remaining prior authorizations and in anticipation of which
13 the Notes are to be issued.

14 "Arbitrage and Tax Certification" means the certificate of that name executed by the
15 county in connection with the initial issuance of the Notes.

16 "Authorized Officer" means those officials of the county designated as such in Section 18
17 hereof and such other persons as may be designated from time to time by subsequent ordinance
18 of the county.

19 "Available Commitment" has the meaning given such term in the Line of Credit
20 Agreement.

21 "Bank" means Bayerische Landesbank Girozentrale, acting through its New York
22 Branch and any successors thereto hereunder and under the provisions of the Line of Credit
23 Agreement.

24 "Bank Note" means the bank note authorized to be issued pursuant to the Line of Credit
25 Agreement and Section 11 hereof.

26 "Bank Note Redemption Fund" means the Commercial Paper Series A Bank Note
27 Redemption Fund created by Section 11 hereof.

28 "Betterment Reserve" or "Betterment Reserve Account" means the Renewal, Extension
29 and Betterment Reserve Account created in the Sewer Revenue Fund by Section 8 of Resolution
30 No. 90 of the Metro Council.
31
32

1 "Bond Anticipation Notes" means warrants, notes or other evidences of indebtedness
2 issued by the county in anticipation of the issuance of bonds of the county payable from Revenue
3 of the System.

4 "Bond Fund" means the "Water Quality Limited Tax General Obligation Bond
5 Redemption Fund" established pursuant to Section 8 of Ordinance No. 11241 of the county to
6 pay and secure the payment of Parity Lien Obligations.

7 "Commitment" has the meaning given such term in the Line of Credit Agreement.

8 "Comprehensive Plan" means the original comprehensive sewage disposal plan set forth
9 in Resolution No. 23 adopted by the Metro Council on April 22, 1959, subsequently
10 redesignated the "Comprehensive Water Pollution Abatement Plan" pursuant to Chapter 36,
11 Laws of 1975, as such original plan has been modified and supplemented by the following
12 resolutions of the Metro Council: Resolution No. 74 adopted February 16, 1961, Resolution
13 No. 152 adopted April 19, 1962, Resolution No. 261 adopted March 7, 1963, Resolution
14 No. 441 adopted August 20, 1964, Resolution No. 477 adopted November 19, 1964,
15 Resolution No. 795 adopted November 3, 1966, Resolution No. 928 adopted June 1, 1967,
16 Resolution No. 1011 adopted November 16, 1967, Resolution No. 1024 adopted December 7,
17 1967, Resolution No. 1052 adopted March 21, 1968, Resolution No. 1257 adopted July 3,
18 1969, Resolution No. 1330 adopted December 18, 1969, Resolution No. 1829 adopted
19 March 1, 1973, Resolution No. 2025 adopted February 21, 1974, Resolution No. 3135 adopted
20 March 15, 1979, Resolution No. 3781 adopted November 5, 1981, Resolution No. 4217
21 adopted December 15, 1983, Resolution No. 4339 adopted April 5, 1984, Resolution No. 4780
22 adopted July 17, 1986, Resolution No. 5332 adopted May 19, 1988, Resolution No. 5449
23 adopted July 21, 1988, Resolution No. 5902 adopted June 21, 1990, Resolution No. 6107
24 adopted March 21, 1991, and Resolution No. 6378 adopted June 4, 1992, as the same may be
25 amended or supplemented hereafter by ordinance of the county.

26 "Construction Account" means the Commercial Paper Series A Construction Account
27 created within the Construction Fund pursuant to Section 7 hereof.

28 "Construction Fund" means the Second Water Quality Construction Fund heretofore
29 created by Section 13 of Ordinance No. 11241 of the county.

30 "Contingency Reserve" or "Contingency Reserve Account" shall mean the Contingency
31 Reserve Account created in the Sewer Revenue Fund by Section 7 of Resolution No. 90 of the
32 Metro Council.

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

3 "Dealer" or "Dealers" means J. P. Morgan Securities Inc. and/or Smith Mitchell
4 Investment Group, a Division of M. R. Beal & Company, or any successors thereto under the
5 Dealer Agreements.

6 "Dealer Agreement" or "Dealer Agreements" means one or more of the Dealer
7 Agreements, each in substantially the form attached hereto as Exhibit B, entered into by and
8 between the county and one or more of the Dealers with respect to the Notes.

9 "Issuing and Paying Agency Agreement" means the Issuing and Paying Agency
10 Agreement, in substantially the form attached hereto as Exhibit C, entered into by and among
11 the county, the Issuing and Paying Agent and the Dealers.

12 "Issuing and Paying Agent" means The Bank of New York, and any successor thereto
13 under the Issuing and Paying Agency Agreement.

14 "Junior Lien Obligations" means any revenue bonds, notes, warrants or other obligations
15 payable from Revenue of the System as described in paragraph Eleventh of Section 12 of this
16 ordinance.

17 "Line of Credit Agreement" means the Line of Credit Agreement, in substantially the
18 form attached hereto as Exhibit D, entered into by and among the county, the Issuing and Paying
19 Agent the Bank.

20 "Loan" has the meaning given such term in the Line of Credit Agreement.

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

24 "Metro Council" means the Metropolitan Council of the Municipality of Metropolitan
25 Seattle, established pursuant to Chapter 35.58 RCW and abolished effective January 1, 1994
26 pursuant to Chapter 36.56 RCW.

27 "1994A Bonds" means the county's Limited Tax General Obligation Bonds (payable
28 from Sewer Revenues), 1994 Series A, issued under date of April 1, 1994, pursuant to
29 Ordinance No. 11241 passed on February 14, 1994.

30 "1995 Bonds" means the county's Limited Tax General Obligation Bonds (payable from
31 Sewer Revenues), 1995, issued under date of May 1, 1995, pursuant to Ordinance No. 11763
32 passed on April 24, 1995.

1 "Note Fund" means the Commercial Paper Series A Sewer Revenue Bond Anticipation
2 Note Redemption Fund created by Section 8 hereof.

3 "Notes" means the King County, Washington, Sewer Revenue Bond Anticipation Notes,
4 Commercial Paper Series A, authorized, issued, and outstanding from time to time pursuant to
5 Section 3 hereof.

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

10 "Operating Reserve" or "Operating Reserve Account" means the Operating Reserve
11 Account created in the Sewer Revenue Fund by Section 6 of Resolution No. 90 of the Metro
12 Council.

13 "Parity Bond Fund" means the "Municipality of Metropolitan Seattle Sewer Revenue
14 Bond Fund" created by Section 10 of Resolution No. 90 of the Metro Council and redesignated
15 and continued by the county as the Water Quality Revenue Bond Fund.

16 "Parity Bond Ordinances" means the Metro Council resolutions authorizing the Parity
17 Bonds.

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

19 "Parity Bonds" means any and all sewer revenue bonds of the county, the payment of
20 which constitutes a lien and charge upon the Revenue of the System equal in rank with the lien
21 and charge upon such revenue for the payments required to pay or to secure the payment of the
22 Series A Bonds.

23 "Parity Lien Obligations" means the 1994A Bonds, the 1995 Bonds and all bonds, notes
24 or other evidences of indebtedness payable in whole or in part from Revenue of the System and
25 secured by a lien on such Revenue on a parity of lien with the lien of the 1994A Bonds and the
26 1995 Bonds. "Parity Lien Obligations" includes any Parity Payment Agreements and parity
27 reimbursement agreements entered into with the providers of certain credit facilities securing
28 Parity Lien Obligations.

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

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

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

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

17 "Permitted Prior Lien Bonds" means the Parity Bonds, the SRF Loan, the Parity Lien
18 Obligations and any revenue bonds, notes or other obligations that may be issued in the future at
19 the discretion of the county payable from Revenue of the System available after the payment of
20 the amounts described in paragraphs First through Eleventh of Section 12 of this ordinance, all
21 as permitted in Section 16(a) of this ordinance. All Permitted Prior Lien Bonds shall have liens
22 on Revenue of the System superior to the lien thereon of the Notes, the Bank Note, and any
23 Additional Subordinate Lien Obligations.

24 "Prior Lien Bond Anticipation Notes" means Permitted Prior Lien Bonds (other than
25 Parity Bonds or Parity Lien Obligations) that are Bond Anticipation Notes.

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

3 "Rating Agency" means (i) Standard & Poor's Ratings Services, a Division of The
4 McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State
5 of New York, its successors and their assigns; (ii) Moody's Investors Service, a corporation
6 organized and existing under the laws of the State of Delaware, its successors and their assigns;
7 and (iii) any other nationally recognized rating agency then maintaining a rating on the Notes.

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

13 "Service Agreements" means the sewage disposal agreements heretofore or hereafter
14 entered into between Metro (now and hereafter the "county") and municipal corporations,
15 persons, firms, private corporations, or governmental agencies providing for the disposal by the
16 county of sewage collected from such contracting parties.

17 "Sewer Revenue Fund" means the special fund of Metro created by Resolution No. 7 of
18 the Metro Council adopted November 26, 1958, and redesignated as the "Municipality of
19 Metropolitan Seattle Sewer Revenue Fund" by Section 5 of Resolution No. 90 of the Metro
20 Council, and redesignated and continued by the county as the Water Quality Operating Fund.

21 "SRF Loan" means the State Revolving Fund loan to Metro (assumed by the county) by
22 the State of Washington Department of Ecology pursuant to the SRF Loan Agreement.

23 "SRF Loan Agreement" means the Washington State Water Pollution Control State
24 Revolving Fund (SRF) Loan Agreement between the State of Washington Department of
25 Ecology and Metro dated December 26, 1990, as amended from time to time.

26 "Subordinate Lien Bond Anticipation Notes" means Additional Subordinate Lien
27 Obligations that are Bond Anticipation Notes.

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

31 "Term Bonds" means those outstanding revenue bonds of any single issue or series
32 maturing in any one year for the retirement of which regularly recurring annual deposits are

1 required to be made into the applicable bond fund prior to the scheduled maturity of such bonds
2 sufficient to pay the same at or prior to their maturity.

3 "Termination Date" shall have the meaning given such term in the Line of Credit
4 Agreement.

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

14 SECTION 2. Authorization of the Bonds. The county hereby authorizes the issuance
15 and sale of its sewer revenue bonds (the "Anticipated Sewer Revenue Bonds") in such form and
16 with such terms, conditions, covenants, dates, interest rates, maturities and other details as shall
17 hereafter be determined by ordinance. The Anticipated Sewer Revenue Bonds shall be issued in
18 an aggregate principal amount to provide funds sufficient, together with other funds of the
19 county legally available therefor, to pay the principal of and interest on any outstanding Notes
20 and Advances. The proceeds of the Anticipated Sewer Revenue Bonds shall be paid into the
21 Note Fund and shall be applied to the extent necessary, together with other funds of the county
22 legally available therefor, to pay and redeem the outstanding Notes and Advances.

23 SECTION 3. Authorization and Issuance of the Notes. The county is hereby
24 authorized to borrow and reborrow from time to time, and to issue Notes to evidence such
25 borrowing or reborrowing, in an aggregate principal amount outstanding at any time or from
26 time to time that will not exceed One Hundred Million Dollars (\$100,000,000). The Notes shall
27 be issuable for the purpose of providing funds to pay part of the costs of extensions,
28 improvements and betterments of the Sewer System included in the Comprehensive Plan and for
29 the purpose of paying at maturity, from time to time, any outstanding Notes or Advances. The
30 aggregate principal amount of the Notes issued and outstanding at any one time shall not exceed
31 the Available Commitment under the Line of Credit Agreement; provided, however, that the
32 principal amount of any outstanding Notes that are paid on their maturity date from the proceeds

1 of Notes issued on such date shall not be considered outstanding. The Notes are to be issued in
2 anticipation of the Anticipated Sewer Revenue Bonds authorized to be issued pursuant to
3 Section 2 hereof.

4 The Notes shall be designated "King County, Washington, Sewer Revenue Bond
5 Anticipation Notes, Commercial Paper Series A," and shall be issued in fully registered form.
6 The Notes shall be issued in denominations of \$100,000 or any integral multiple of \$5,000
7 greater than \$100,000, shall be numbered separately in the manner and with any additional
8 designation as the Issuing and Paying Agent deems necessary for purposes of identification, shall
9 be dated the date of their issuance and shall bear interest payable at maturity, determined from
10 time to time as provided herein.

11 The Notes shall be issued at such times, be sold to such purchasers at such prices, bear
12 interest (calculated on the basis of a year of 365/366 days, as appropriate), mature on such dates
13 and otherwise have such terms and conditions as shall be determined by an Authorized Officer in
14 concert with the Dealers and the Issuing and Paying Agent in accordance with the Dealer
15 Agreements and the Issuing and Paying Agency Agreement; provided, however, that (i) no Note
16 shall be issued with a maturity date later than (a) 270 days from its date of issuance, or (b) the
17 Termination Date, including any extensions thereof, or (c) December 1, 2016, whichever is
18 earliest; (ii) no Note shall bear interest at a rate in excess of 12%; and (iii) no Note shall be sold
19 at a price other than par.

20 SECTION 4. Initial Immobilization of Notes; Depository Provisions. The Notes
21 initially shall be held in fully immobilized form by DTC acting as depository pursuant to the
22 terms and conditions set forth in the form of a Letter of Representations attached as Exhibit F
23 hereto and by this reference incorporated herein. To induce DTC to accept the Notes as eligible
24 for deposit at DTC, the county finance manager is authorized to execute the Letter of
25 Representations, with such changes as hereafter may be approved by him or her, and such
26 approval shall be conclusively presumed by the county finance manager's execution thereof.
27 Neither the county nor the Issuing and Paying Agent shall have any responsibility or obligation
28 to DTC participants or the persons for whom they act as nominees for the Notes with respect to
29 the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or
30 any DTC participant of any amount in respect of principal or interest on the Notes, any notice
31 that is permitted or required to be given to Registered Owners under this ordinance (except such
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1 notice as is required to be given by the county to the Issuing and Paying Agent or to DTC), or
2 any consent given or other action taken by DTC as owner of the Notes.

3 The Notes initially shall be issued in a single Master Note equal to the aggregate
4 principal amount of the Notes and initially shall be registered in the name of CEDE & Co., as the
5 nominee of DTC. The Notes so registered shall be held in fully immobilized form by DTC as
6 depository. For so long as any Notes are held in fully immobilized form, DTC, its successor or
7 any substitute depository appointed by the county, as applicable, shall be deemed to be the
8 Registered Owner for all purposes hereunder, and all references to Registered Owners,
9 noteowners, noteholders, owners or the like shall mean DTC or its nominees and shall not mean
10 the owners of any beneficial interests in the Notes. Registered ownership of such Notes, or any
11 portions thereof, may not thereafter be transferred except:

12 1. To any successor of DTC or its nominee, if that successor shall be
13 qualified under any applicable laws to provide the services proposed to be provided by it;

14 2. To any substitute depository appointed by the county pursuant to this
15 subsection or such substitute depository's successor; or

16 3. To any person as herein provided if the Notes are no longer held in
17 immobilized form.

18 Upon the resignation of DTC or its successor (or any substitute depository or its
19 successor) from its functions as depository, or a determination by the county that it is no longer
20 in the best interests of beneficial owners of the Notes to continue the system of book entry
21 transfers through DTC or its successor (or any substitute depository or its successor), the
22 county may appoint a substitute depository. Any such substitute depository shall be qualified
23 under any applicable laws to provide the services proposed to be provided by it.

24 In the case of any transfer pursuant to clause (1) or (2) of the second paragraph of this
25 subsection, the Issuing and Paying Agent, upon receipt of all outstanding Notes together with a
26 written request on behalf of the county, shall issue a single new Master Note, registered in the
27 name of such successor or such substitute depository, or their nominees, as the case may be, all
28 as specified in such written request of the county.

29 In the event that DTC or its successor (or substitute depository or its successor) resigns
30 from its functions as depository, and no substitute depository can be obtained, or the county
31 determines that it is in the best interests of the beneficial owners of the Notes that they be able to
32 obtain Note certificates, the ownership of Notes may be transferred to any person as herein

1 provided, and the Notes shall no longer be held in fully immobilized form. The county shall
2 deliver a written request to the Issuing and Paying Agent, together with a supply of definitive
3 Notes, to issue Notes as herein provided in any authorized denomination. Upon receipt of all
4 then outstanding Notes by the Issuing and Paying Agent, together with a written request on
5 behalf of the county to the Issuing and Paying Agent, new Notes shall be issued in such
6 denominations and registered in the names of such persons as are requested in such a written
7 request.

8 Both principal of and interest on the Notes shall be payable in lawful money of the
9 United States of America. For so long as outstanding Notes are registered in the name of
10 CEDE & Co., or its registered assigns, as nominee of DTC, payments of principal of and interest
11 on the Notes shall be made in same day funds on the date such payment is due and payable at the
12 place and in the manner provided in the Letter of Representations.

13 In the event that Notes are no longer held in fully immobilized form by DTC or its
14 successor (or substitute depository or its successor), principal of and interest on the Notes shall
15 be payable at maturity upon presentation and surrender of the Notes by the owners at the
16 principal office of the Issuing and Paying Agent in New York, New York, in accordance with
17 the Issuing and Paying Agency Agreement.

18 SECTION 5. Registration. The Issuing and Paying Agent shall keep, or cause to be
19 kept, at its principal corporate trust office, sufficient records for the registration and transfer of
20 the Notes which shall at all times be open to inspection by the county. The Issuing and Paying
21 Agent is authorized, on behalf of the county, to authenticate and deliver Notes transferred or
22 exchanged in accordance with the provisions of such Notes, this ordinance and the Issuing and
23 Paying Agency Agreement and to carry out all of the Issuing and Paying Agent's powers and
24 duties under this ordinance and the Issuing and Paying Agency Agreement.

25 The Issuing and Paying Agent shall be responsible for its representations contained in the
26 Certificate of Authentication on the Notes. The Issuing and Paying Agent may become the
27 owner of Notes with the same rights it would have if it were not the Issuing and Paying Agent,
28 and to the extent permitted by law may act as depository for and permit any of its officers or
29 directors to act as a member of, or in any other capacity with respect to, any committee formed
30 to protect the rights of registered owners of the Notes.

31 SECTION 6. Mutilated, Lost, Stolen or Destroyed Notes. In the event any Note is
32 mutilated, lost, stolen or destroyed, the Issuing and Paying Agent, upon written direction of the

1 county, may authenticate a new Note of like date, maturity, interest rate and principal amount as
2 the mutilated, lost, stolen or destroyed Note; provided that, in the case of such mutilated Note,
3 such mutilated Note shall first be surrendered to the Issuing and Paying Agent and in the case of
4 such lost, stolen or destroyed Note, there shall first be furnished to the county and Issuing and
5 Paying Agent evidence of such loss, theft or destruction satisfactory to the county and Issuing
6 and Paying Agent together with indemnity satisfactory to the county and the Issuing and Paying
7 Agent. In the event any such Note shall have matured, instead of issuing a duplicate Note, the
8 county may pay the same without surrender thereof. The county may charge the holder of such
9 mutilated Note or owner of such lost, stolen or destroyed Note with its reasonable fees and
10 expenses in this connection.

11 SECTION 7. Application of Note Proceeds. The proceeds from the sale of the Notes
12 shall be applied in the following order of priority:

- 13 (a) first, to the payment of the principal of Notes maturing on the date of such sale;
14 (b) second, to the payment of the outstanding principal amount of the Loan (as
15 defined in the Line of Credit Agreement); and
16 (c) third, any remaining balance shall be applied as provided in the next succeeding
17 paragraph.

18 There has heretofore been established a special fund of the county known as the "Second
19 Water Quality Construction Fund" (the "Construction Fund"). For purposes of separately
20 accounting for investment earnings on the proceeds of the Notes to facilitate compliance with
21 the requirements of Section 15(b) of this ordinance, there is hereby established a special account
22 within the Construction Fund to be known as the Commercial Paper Series A Construction
23 Account (the "Construction Account"). All proceeds derived from the issuance and sale of
24 Notes described in clause (c) of the first paragraph of this Section 7 shall be paid into the
25 Construction Account. Money in the Construction Account shall be held and applied as
26 provided in this section to pay part of the cost of acquisition and construction of the Sewer
27 System and all costs incident thereto, including but not limited to costs of issuance of the Notes,
28 engineering, architectural, planning, financing, legal, urban design or any other incidental costs,
29 and to repay any advances heretofore or hereafter made on account of such costs.

30 The county shall prepare and keep in its files in respect of each disbursement from the
31 Construction Account a voucher approved by an Authorized Officer stating with respect to each
32 payment made or to be made:

1 (i) The name and address of the person, firm or corporation to whom the
2 payment is due;

3 (ii) The amount to be paid; and

4 (iii) That each obligation in the stated amount has been incurred by or on
5 behalf of the county and that each item thereof is a proper and reasonable charge against the
6 Construction Account and that such obligation has not been theretofore paid or reimbursed.

7 All money in the Construction Account shall be continuously and fully invested to the
8 extent that the same shall be practicable and consistent with the requirements for the use of the
9 money. Said money may be invested in any investments permitted for funds of the county.

10 If on the date on which amounts are due and payable on the Notes or the Bank Note
11 amounts on deposit in the Note Fund or the Bank Note Repayment Fund are insufficient to
12 repay the amounts then due on the Notes and the Bank Note, the county shall, to the extent
13 amounts are held in the Construction Account, transfer from the Construction Account to the
14 Note Fund or the Bank Note Repayment Fund, as applicable, amounts sufficient to eliminate
15 such insufficiency.

16 SECTION 8. Payment of the Notes; Pledge of Sewer Revenue.

17 (a) The Notes shall constitute special obligations of the county payable solely out of
18 a special fund of the county hereby established and designated the "Commercial Paper Series A
19 Sewer Revenue Bond Anticipation Note Redemption Fund" (the "Note Fund"). The Issuing and
20 Paying Agent shall establish and maintain an account for payment of the Notes, and the county
21 shall from time to time cause money to be deposited into such account from the Note Fund in
22 amounts sufficient to pay the principal of and interest on the Notes as they become due. The
23 Issuing and Paying Agent shall withdraw amounts from such account in order to pay the
24 principal of and interest on the Notes. Except as permitted to be invested pursuant to
25 subsection (f) hereof, amounts on deposit in the Note Fund and such account shall be drawn
26 upon only for the purpose of paying the principal of and interest on the Notes or for the payment
27 of the principal of and interest on Advances under the Line of Credit Agreement as provided in
28 Section 11 hereof.

29 (b) The county hereby covenants and agrees that so long as any Note is outstanding
30 it will deposit or cause to be deposited in the Note Fund amounts derived from the following
31 sources in the following order of priority: (i) the proceeds of sale of Notes as provided in
32 Section 7 hereof; (ii) to the extent not deposited in the Bank Note Repayment Fund, proceeds

1 from the sale of the Anticipated Sewer Revenue Bonds or Bond Anticipation Notes issued for
2 the purpose of refunding the Notes; (iii) amounts on deposit in the Construction Account;
3 (vi) any proceeds of Advances under the Line of Credit Agreement; and (v) such additional
4 amounts of the Revenue of the System as shall be necessary, when added to other amounts paid
5 into the Note Fund, to pay the principal of and interest on the Notes as the same become due
6 and payable. In order to secure the payment when due of the principal of and interest on Notes
7 and the performance of any other obligation of the county to the holders of the Notes, the
8 county hereby pledges to such payment and performance all amounts as provided herein to be
9 deposited into the Note Fund and all amounts from time to time on deposit in the Note Fund.

10 (c) The county hereby covenants that on or before the Termination Date it will:

- 11 (i) issue the Anticipated Sewer Revenue Bonds or additional Bond
12 Anticipation Notes; or
13 (ii) borrow under the Line of Credit Agreement; or
14 (iii) apply money out of the Revenue of the System and available money in the
15 Construction Account in amounts sufficient to pay when due the principal
16 of and interest on any and all outstanding Notes.

17 (d) The amounts herein covenanted to be paid out of the Revenue of the System shall
18 constitute and the county hereby grants and pledges to the owners of the Notes, a lien and
19 charge on such Revenue junior, subordinate and inferior to Operating and Maintenance
20 Expenses; junior, subordinate and inferior to the lien and charge on such Revenue for the
21 payments required by the Parity Bond Ordinances to be made into the Parity Bond Fund and the
22 accounts therein, and into the Operating Reserve Account, Contingency Reserve Account, and
23 Betterment Reserve Account in the Sewer Revenue Fund; junior, subordinate and inferior to the
24 lien and charge on such Revenue for the payments required under the SRF Loan Agreement;
25 junior, subordinate and inferior to the lien and charge on such Revenue of the payments required
26 to be made into the Bond Fund and the accounts therein; junior, subordinate and inferior to the
27 payments required to be made to pay or to secure the payment of any Junior Lien Obligations,
28 and equal in rank with the lien and charge on such Revenue and available money securing
29 payment of the principal of and interest on all obligations described in paragraph Twelfth of
30 Section 12 of this ordinance. The Notes, the Bank Note and any Additional Subordinate Lien
31 Obligations shall be payable on a parity with each other, and no priority shall be established
32

1 among the Notes or the Bank Note or any Additional Subordinate Lien Obligations by reason of
2 their date of issuance or otherwise.

3 (e) The Notes shall not be deemed to constitute a general obligation or a pledge of
4 the faith and credit of the county, or a debt or a pledge of the faith and credit of the State of
5 Washington or any other municipal corporation or political subdivision thereof. Neither the
6 county nor the State of Washington nor any other municipal corporation or political subdivision
7 thereof shall be obligated to pay the principal of or interest on the Notes or the Bank Note,
8 except in the case of the county as set forth in this ordinance, and neither the faith and credit nor
9 the taxing power of the county, the State of Washington or any other municipal corporation or
10 political subdivision thereof is pledged to the payment of the principal of or interest on the
11 Notes.

12 (f) Money deposited and held in the Note Fund for the payment of Notes prior to
13 the maturity thereof may be invested in direct obligations of the United States Government
14 maturing prior and as close as reasonably possible to the maturity date of the Notes for the
15 payment of which such money shall have been deposited. All investment income from the
16 investment of money held in the Note Fund shall be deposited in the Sewer Revenue Fund for
17 the sole benefit of the county and may be used for any lawful water pollution abatement
18 purposes of the county.

19 (g) The county also hereby covenants and agrees that so long as any Notes are
20 outstanding hereunder, the county shall maintain a line of credit, letter of credit, standby
21 purchase agreement or comparable credit enhancement in an amount sufficient to pay the
22 principal of the Notes when due.

23 SECTION 9. Dealer Agreements. The county hereby approves the terms of and is
24 hereby authorized to enter into the Dealer Agreements, in substantially the form attached as
25 Exhibit B hereto, with the Dealers.

26 SECTION 10. Issuing and Paying Agency Agreement. The county hereby approves the
27 terms of and is hereby authorized to enter into a Issuing and Paying Agency Agreement, in
28 substantially the form attached as Exhibit C hereto, with the Issuing and Paying Agent and the
29 Dealers.

30 SECTION 11. Line of Credit Agreement; Bank Note.

31 (a) The county hereby approves the terms of and is hereby authorized to enter into a
32 Line of Credit Agreement, in substantially the form attached as Exhibit D hereto, with the Bank.

1 Any successor Bank under the Line of Credit Agreement shall be subject to approval by the
2 Council and shall be acceptable to any Rating Agency then maintaining a rating on the Notes.
3 Such acceptability shall be evidenced by written notice from each such Rating Agency that the
4 substitution of a successor Bank under the Line of Credit Agreement will not, in itself, result in a
5 lowering, suspension, or withdrawal of the then existing rating borne by the Notes.

6 (b) The county is hereby authorized to borrow and reborrow from time to time,
7 solely for the purpose of paying the principal of Notes when due, under and in accordance with
8 the Line of Credit Agreement, an amount not to exceed an aggregate principal amount
9 outstanding at any one time of one hundred million dollars (\$100,000,000). The county
10 executive is hereby authorized and directed to execute and deliver a Bank Note, not to exceed
11 \$100,000,000 in aggregate principal amount, in substantially the form of Exhibit B to the Line of
12 Credit Agreement. The Advances made pursuant to the Line of Credit Agreement shall bear
13 interest, shall mature and shall otherwise have the terms and conditions set forth in the Line of
14 Credit Agreement.

15 (c) Advances under the Line of Credit Agreement shall be payable solely out of a
16 special fund of the county hereby established and designated the "Commercial Paper Series A
17 Bank Note Repayment Fund" (hereinafter called the "Bank Note Repayment Fund") and, to the
18 extent provided herein and in the Issuing and Paying Agency Agreement, from amounts
19 transferred therein from the Note Fund, accounts held for the benefit of the Bank by the Issuing
20 and Paying Agent, and the Construction Account. The Issuing and Paying Agent shall establish
21 and maintain an account for the repayment of Advances under the Line of Credit, and the county
22 shall cause money to be deposited into such account from the Bank Note Repayment Fund or
23 the other funds and accounts described above in amounts sufficient to repay Advances at the
24 times and in the amounts as provided in the Line of Credit Agreement. The Issuing and Paying
25 Agent shall withdraw amounts from such account so to repay Advances. The county hereby
26 covenants and agrees that if, and for so long as, any Advance is outstanding it will deposit in the
27 Bank Note Repayment Fund (i) to the extent provided in Section 7 hereof, the proceeds of sale
28 of the Notes; (ii) to the extent not deposited in the Note Fund, proceeds from the sale of the
29 Anticipated Sewer Revenue Bonds or additional Bond Anticipation Notes issued for the purpose
30 of refunding the Notes or repaying the Bank Note; and all (iii) such additional amounts out of
31 the Revenue of the System and available money in the Construction Account as shall be
32

1 necessary, when added to other amounts paid into the Bank Note Repayment Fund, to pay the
2 principal of and interest on the Advances as the same become due and payable.

3 (d) The county hereby covenants that on or before the Termination Date it will:

4 (i) issue the Anticipated Sewer Revenue Bonds or additional Bond
5 Anticipation Notes to repay the Bank Note; or

6 (ii) apply money out of the Revenue of the System and available money in the
7 Construction Account in amounts sufficient to pay when due the principal of and interest on the
8 Bank Note.

9 (e) The amounts herein covenanted to be paid out of the Revenue of the System shall
10 constitute and the county hereby grants and pledges to the Bank a lien and charge on such
11 Revenue junior, subordinate and inferior to Operating and Maintenance Expenses; junior,
12 subordinate and inferior to the lien and charge on such Revenue for the payments required by
13 the Parity Bond Ordinances to be made into the Parity Bond Fund and the accounts therein, and
14 into the Operating Reserve Account, Contingency Reserve Account, and Betterment Reserve
15 Account in the Sewer Revenue Fund; junior, subordinate and inferior to the lien and charge on
16 such Revenue for the payments required under the SRF Loan Agreement; junior, subordinate
17 and inferior to the lien and charge on such Revenue for the payments required to be made into
18 the Bond Fund and accounts therein; junior, subordinate and inferior to the payments required to
19 be made to pay or to secure the payment of any Junior Lien Obligations, and equal in rank with
20 the lien and charge on such Revenue and available money securing payment of the principal of
21 and interest on all obligations described in paragraph Twelfth of Section 12 of this ordinance.

22 (f) The Bank Note shall not be deemed to constitute a general obligation or a pledge
23 of the faith and credit of the county, or a debt or a pledge of the faith and credit of the State of
24 Washington or any other municipal corporation or political subdivision thereof. Neither the
25 county nor the State of Washington nor any other municipal corporation or political subdivision
26 thereof shall be obligated to pay the principal of or interest on the Bank Note, except in the case
27 of the county as set forth in this ordinance and the Line of Credit Agreement, and neither the
28 faith and credit nor the taxing power of the county, the State of Washington or any other
29 municipal corporation or political subdivision thereof is pledged to the payment of the principal
30 of or interest on the Bank Note.

31 (g) Any Authorized Officer is hereby authorized and directed to instruct the Issuing
32 and Paying Agent to borrow and reborrow pursuant to the Line of Credit Agreement and the

1 Bank Note from time to time at such times and in such amounts as the Issuing and Paying
2 Agency Agreement provides, subject to the limitations set forth in this ordinance, in the Issuing
3 and Paying Agency Agreement and in the Line of Credit Agreement.

4 SECTION 12. Sewer Revenue Priorities of Payment. So long as any Note or Advance
5 hereunder shall be outstanding, the Revenue of the System shall be deposited into the Sewer
6 Revenue Fund and used and applied in the following order of priority:

7 First, to pay all Operating and Maintenance Expenses;

8 Second to make all required payments of principal and interest on Parity Bonds as the
9 same shall become due and payable;

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

11 Fourth, to establish and maintain the Parity Bond Reserve;

12 Fifth, to establish and maintain the Operating Reserve;

13 Sixth, to establish and maintain the Contingency Reserve;

14 Seventh, to establish and maintain the Betterment Reserve;

15 Eighth, to make all required payments of principal and interest due on the SRF Loan;

16 Ninth, to accumulate in the special reserve fund for the SRF Loan the amount required
17 by subsection E of Section VI of the SRF Loan Agreement to be accumulated therein and, if
18 required by the terms of any other SRF loan agreement, if any, the amounts required by the
19 terms of those SRF loan agreements to be accumulated therein;

20 Tenth, to make all required payments of principal and interest on the Parity Lien
21 Obligations and debt service or Payment Agreement Payments on any other Parity Lien
22 Obligations;

23 Eleventh, to make all payments required to be made into any other revenue bond
24 redemption fund and debt service account or reserve account created therein to pay and secure
25 the payment of the principal of and interest on any revenue bonds or other revenue obligations
26 of the county having liens upon Revenue of the System and the money in the Sewer Revenue
27 Fund junior and inferior to the lien thereon for the payment of the principal of and interest on
28 any Parity Lien Obligations, but prior to the lien thereon of the Notes, Advances and any
29 Additional Subordinate Lien Obligations, as the same shall become due and payable;

30 Twelfth, to make all required payments of principal of and interest on the Notes,
31 Advances, or Additional Subordinate Lien Obligations as the same shall become due and
32 payable; and

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

5 Any surplus money that the county may have on hand in the Sewer Revenue Fund after
6 making all required payments set forth above may be used by the county to purchase or redeem
7 and retire outstanding sewer revenue bonds of the county and to make necessary improvements,
8 additions and repairs to and extensions and replacements of the Sewer System or for other
9 lawful water pollution abatement purposes of the county.

10 SECTION 13. Execution of Agreements. The county executive is hereby authorized to
11 execute the Dealer Agreements, the Issuing and Paying Agency Agreement, and the Line of
12 Credit Agreement in substantially the forms attached hereto as Exhibits B, C, and D,
13 respectively, with such additions or changes therein as the county executive may approve, his
14 execution thereof to be conclusive evidence of such approval and that such changes are within
15 the authority hereby granted. The clerk of the council is hereby authorized to cause the seal of
16 the county to be affixed to such agreements and to attest the same, and the county executive is
17 hereby authorized to cause the executed agreements to be delivered on behalf of the county.

18 SECTION 14. Covenants. So long as any of the Notes or Advances are outstanding:

19 (a) The county shall establish, maintain and collect rates and charges for sewage
20 disposal service that shall be fair and nondiscriminatory and adequate to provide the county with
21 Revenue sufficient (1) for the proper operation and maintenance of the System and to maintain
22 the Operating Reserve, the Contingency Reserve and the Betterment Reserve; (2) for the
23 punctual payment of the principal of and interest on all outstanding Parity Bonds and all
24 amounts that the county is obligated to set aside in the Parity Bond Fund and accounts therein
25 securing the Parity Bonds; (3) for the punctual payment of the principal of and interest on the
26 SRF Loan; (4) for the punctual payment of the principal of and interest on all outstanding Parity
27 Lien Obligations and for all amounts that the county is obligated to set aside in the Bond Fund
28 and accounts therein; (5) for the punctual payment of the principal of and interest on all other
29 outstanding Permitted Prior Lien Bonds (other than Prior Lien Bond Anticipation Notes) and all
30 amounts that the county is obligated to set aside in any bond redemption fund and accounts
31 therein securing such Permitted Prior Lien Bonds; (6) for assumed payments of principal and
32 interest on any bonds in anticipation of which Prior Lien Bond Anticipation Notes have been

1 issued calculated for the applicable calendar year by amortizing the then outstanding principal
2 amount of the Prior Lien Bond Anticipation Notes in accordance with a 30-year maturity
3 schedule resulting in approximately level debt service based on an assumed interest rate equal to
4 the Bond Buyer Revenue Bond Index as of the immediately preceding April 15 or, if such index
5 is not available, an assumed rate of interest determined by a firm of nationally recognized
6 financial consultants selected by the county, based on such consultants' review of comparable
7 instruments in the then current market; (7) for assumed payments of principal and interest on the
8 Anticipated Sewer Revenue Bonds calculated for the applicable calendar year by amortizing the
9 then outstanding principal amount of the Notes in accordance with a 30-year maturity schedule
10 resulting in approximately level debt service based on an assumed interest rate equal to the Bond
11 Buyer Revenue Bond Index as of the immediately preceding April 15 or, if such index is not
12 available, an assumed rate of interest determined by a firm of nationally recognized financial
13 consultants selected by the county, based on such consultants' review of comparable instruments
14 in the then current market; (8) for the punctual payment of the principal of and interest, if any,
15 on the Bank Note; (9) for the punctual payment of the principal of and interest on all
16 outstanding Additional Subordinate Lien Obligations (other than Subordinate Lien Bond
17 Anticipation Notes) and for all amounts that the county is obligated to set aside in any bond
18 redemption fund and accounts therein securing such Additional Subordinate Lien Obligations;
19 (10) for assumed payments of principal and interest on any bonds in anticipation of which
20 Subordinate Lien Bond Anticipation Notes have been issued calculated for the applicable
21 calendar year by amortizing the then outstanding principal amount of the Subordinate Lien Bond
22 Anticipation Notes in accordance with a 30-year maturity schedule resulting in approximately
23 level debt service based on an assumed interest rate equal to the Bond Buyer Revenue Bond
24 Index as of the immediately preceding April 15 or, if such index is not available, an assumed rate
25 of interest determined by a firm of nationally recognized financial consultants selected by the
26 county, based on such consultants' review of comparable instruments in the then current market;
27 and (11) for the payment of any and all amounts that the county is now or may hereafter become
28 obligated to pay from the Revenue of the System by law or contract.

29 (b) (1) Subject to the provisions of subparagraph (2) of this Section 16(b), the
30 county hereby covenants with the Bank and the owner of each of the Notes for as long as any of
31 the same are outstanding that the county will at all times establish, maintain and collect rates and
32 charges for sewage disposal service that, together with the interest to be earned on investments

1 made of money in the Revenue Fund, the Parity Bond Fund and the Bond Fund, will provide in
2 each fiscal year Revenue of the System in an amount equal to at least 1.15 times the amounts
3 required to pay:

4 (A) The interest coming due on July 1 of such fiscal year on the
5 outstanding Parity Bonds, and all amounts required to be paid in such fiscal year in respect of
6 interest on the Bonds and other Parity Lien Obligations and Payment Agreement Payments in
7 respect of Parity Payment Agreements.

8 (B) The principal and interest coming due on January 1 of the next
9 succeeding year on the outstanding Parity Bonds, and all principal coming due in such fiscal year
10 on the Bonds and other Parity Lien Obligations (other than principal and interest on Parity Term
11 Bonds and principal on Bonds and other Parity Lien Obligations that are Term Bonds).

12 (C) The amounts required to be paid into the Parity Bond Fund on or
13 before January 1 of the next succeeding calendar year for interest on and amortization of
14 principal of Parity Term Bonds, into the Bond Fund for amortization of principal of Bonds that
15 are Term Bonds and into any fund or account for amortization of principal of any other Parity
16 Lien Obligations that are Term Bonds after Operating and Maintenance Expenses have been
17 paid.

18 For purposes of clause (C) of this paragraph, "amounts required to be paid" means the
19 amount to be deposited or accumulated in any fund or account for interest on and amortization
20 of Term Bonds on or before such January 1 for outstanding Term Bonds irrespective of the date
21 or dates such amount, or any portion thereof, is actually deposited into such fund or account.

22 (2) Amounts required to be paid in respect of Parity Bonds and Parity Lien
23 Obligations shall be calculated in accordance with the following requirements:

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

27 (B) The amount of interest deemed to be payable on any issue of
28 Variable Rate Parity Lien Obligations shall be calculated on the assumption that the interest rate
29 on those bonds would be equal to the rate (the "assumed RBI rate") that is 90% of the average
30 Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter preceding the
31 quarter in which the calculation is made; provided, for purposes of determining actual
32 compliance with the covenant made in this Section 16(b) in any past fiscal year, the actual

1 amount of interest paid on any issue of Variable Rate Parity Lien Obligations shall be taken into
2 account.

3 (C) Debt service on Parity Lien Obligations with respect to which a
4 Payment Agreement is in force shall be calculated by the county to reflect the net economic
5 effect on the county intended to be produced by the terms of the Parity Lien Obligations and the
6 terms of the Payment Agreement, in accordance with the requirements set forth in Section 23 of
7 Ordinance No. 11763 of the county.

8 (c) The county shall comply with all the terms, covenants, conditions and provisions
9 of this ordinance and of the Parity Bond Ordinances and the ordinances authorizing the Parity
10 Lien Obligations as the same provide on the date hereof (all of which are incorporated herein by
11 this reference as if fully set forth at this point).

12 SECTION 15. Tax-Exemption. The county shall comply with the provisions of this
13 section unless, in the written opinion of nationally-recognized bond counsel to the county, such
14 compliance is not required in order to maintain the exemption of the interest on the Notes from
15 federal income taxation.

16 (a) The county hereby covenants that it will not make any use of the proceeds from
17 the sale of the Notes or any other funds of the county that may be deemed to be proceeds of
18 such Notes pursuant to Section 148 of the Code and the applicable regulations thereunder that
19 will cause the Notes to be "arbitrage bonds" within the meaning of said section and said
20 regulations. The county will comply with the applicable requirements of Section 148 of the
21 Code (or any successor provision thereof applicable to the Notes) and the applicable regulations
22 thereunder throughout the term of the Notes.

23 The county further covenants that it will not take any action or permit any action to be
24 taken that would cause the Notes to constitute "private activity bonds" under Section 141 of the
25 Code.

26 (b) The county will pay the Rebate Amount, if any, to the United States of America
27 at the times and in the amounts necessary to meet the requirements of the Code to maintain the
28 federal income tax exemption for interest payments on the Notes, in accordance with the
29 Arbitrage and Tax Certification.

30 SECTION 16. Additional Obligations of the Sewer System.

31 (a) The county may issue from time to time additional Parity Bonds and Parity Lien
32 Obligations on the terms and conditions set forth in the Parity Bond Ordinances and in the

1 ordinances authorizing issuance of the Parity Lien Obligations as the same provide on the date
2 hereof.

3 (b) Provided that the county is not in default of its obligations under this ordinance,
4 the county also hereby reserves the right to issue obligations payable from Revenue of the
5 System available after payment of the amounts described in paragraphs First through Tenth of
6 Section 12 of this ordinance, and having lien(s) on such Revenue prior to the lien of the Notes
7 and the Bank Note ("Junior Lien Obligations"), but only if (i) such Junior Lien Obligations are
8 issued for the purpose of refunding the Notes, the Bank Note or then outstanding Junior Lien
9 Obligations or (ii) such Junior Lien Obligations are issued for any lawful purpose of the county
10 related to the System and the following conditions are met:

11 (A) At the time of issuing such Junior Lien Obligations, there shall be no
12 default in the payment of the principal of or interest on any Permitted Prior Lien Bonds.

13 (B) The county shall have on file a certificate from a licensed professional
14 engineer experienced in the design, construction and operation of municipal utilities of scope
15 similar to the System (the certificate may not be dated more than 90 days prior to the date of
16 delivery of such Junior Lien Obligations) showing that in his or her professional opinion the
17 "annual income available for debt service on Permitted Prior Lien Bonds (excluding the SRF
18 Loan)" for each year during the life of such Junior Lien Obligations, after deducting therefrom
19 amounts required to pay principal and interest due in such year on the SRF Loan, shall be at
20 least equal to 1.25 times the amount required in each such year to pay:

21 (1) The principal of the Junior Lien Obligations being issued
22 and all outstanding Permitted Prior Lien Bonds (excluding the SRF Loan), but excluding the
23 amortization of principal of Term Bonds.

24 (2) The interest on the Junior Lien Obligations being issued and all
25 outstanding Permitted Prior Lien Bonds (excluding the SRF Loan), but excluding any interest
26 that shall be payable from the proceeds of the Junior Lien Obligations to be issued.

27 (3) The amounts required to be paid into any fund or account to
28 amortize the principal of any Junior Lien Obligations that are Term Bonds being issued and all
29 outstanding Permitted Prior Lien Bonds that are Term Bonds.

30 (C) Amounts required to be paid in respect of Parity Bonds and Parity Lien
31 Obligations shall be calculated in accordance with the requirements set forth in
32 Section 21.B(1)(c) of Ordinance No. 11763 of the county. Amounts required to be paid in

1 respect of any Junior Lien Obligations that bear interest at variable rates shall be calculated in
2 the manner set forth for Variable Rate Parity Lien Obligations in Section 21B(1)(c)(ii) of
3 Ordinance No. 11763 of the county.

4 (D) Amounts required to be paid in respect of any Prior Lien Bond
5 Anticipation Notes shall be calculated by amortizing the then outstanding principal amount of
6 the Prior Lien Bond Anticipation Notes in accordance with a 30-year maturity schedule resulting
7 in approximately level debt service based on an assumed interest rate equal to the Bond Buyer
8 Revenue Bond Index as of a date no more than 90 days prior to the date of issuance of such
9 Junior Lien Obligations or, if such index is not available, an assumed rate of interest determined
10 by and in the sole discretion of a firm of nationally recognized financial consultants selected by
11 the county.

12 (E) Such "annual income available for debt service on Permitted Prior Lien
13 Bonds (excluding the SRF Loan)" shall be determined as follows for each year following the
14 proposed date of issue of such Junior Lien Obligations:

15 (1) The Revenue of the System shall be determined for a period of
16 any 12 consecutive months out of the 18 months immediately preceding the delivery of the
17 Junior Lien Obligations being issued.

18 (2) Such revenue shall be adjusted to give effect on a 12-month basis
19 to the rates adopted by the council and to be in effect no later than one year from the date of
20 such certificate.

21 (3) If any Customers were added or are projected to be added to the
22 System during such 12-month period, such revenue shall be further adjusted on the basis that
23 added Customers were Customers of the System during the entire 12-month period, provided
24 that the engineer's projection of additional Customers shall not assume a growth of more than
25 2% over and above the number of Customers served or estimated to be served during the
26 preceding year.

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

29 (5) For each year following the proposed date of issuance of such
30 Junior Lien Obligations the engineer shall add to the annual revenue determined in the preceding
31 four paragraphs an estimate of the income to be received in each such year from the investment
32 of moneys in any bond fund for such Junior Lien Obligations and the Construction Fund which

1 will be determined by and in the sole discretion of a firm of nationally recognized financial
2 consultants selected by the county.

3 (6) Beginning with the second year following the proposed date of
4 issue of such Junior Lien Obligations and for each year thereafter the engineer shall add to the
5 annual revenue determined in the preceding five paragraphs his or her estimate of any additional
6 annual revenue to be received from anticipated growth in the number of Customers within the
7 area which is served by the System on the date of such certificate, after deducting therefrom any
8 increased Operating and Maintenance Expenses estimated to be incurred as a result of such
9 growth; provided that the engineer's estimate of the number of customers served shall not
10 assume a growth of more than 1/4 of 1% over and above the number of customers served or
11 estimated to be served during the preceding year.

12 (7) If extensions of or additions to the System are in the process of
13 construction at the time of such certificate, or if the proceeds of the Junior Lien Obligations
14 being issued are to be used to acquire or construct extensions of or additions to the System,
15 there shall be added to the annual net revenue as above determined any revenue not included in
16 the preceding paragraphs which will be derived from such additions and extensions after
17 deducting therefrom the estimated additional Operating and Maintenance Expenses to be
18 incurred as a result of such additions and extensions; provided that such estimated annual
19 revenue shall be based upon 75% of any estimated Customer growth in the four years following
20 the first full year in which such additional revenue is to be collected and thereafter the estimated
21 Customer growth shall not exceed 1/4 of 1% per year over and above such reduced estimate.
22 Such Junior Lien Obligations shall be subject to such terms, conditions and covenants set forth
23 in their authorizing ordinances.

24 (c) Provided that the county is not in default of its obligations under this ordinance,
25 the county also hereby reserves the right to issue Additional Subordinate Lien Obligations, but
26 only if (i) such Additional Subordinate Lien Obligations are issued for the purpose of refunding
27 the Notes, the Bank Note or then outstanding Additional Subordinate Lien Obligations or (ii)
28 such Additional Subordinate Lien Obligations are issued for any lawful purpose of the county
29 related to the System and the following conditions are met:

30 (A) At the time of issuing such Additional Subordinate Lien Obligations, there
31 shall be no default in the payment of the principal of or interest on any Permitted Prior Lien
32 Bonds, the Notes, the Bank Note, or any Additional Subordinate Lien Obligations.

1 (B) The county shall have on file a certificate from a licensed professional
2 engineer experienced in the design, construction and operation of municipal utilities of scope
3 similar to the System (the certificate may not be dated more than 90 days prior to the date of
4 delivery of such Additional Subordinate Lien Obligations) showing that in his or her professional
5 opinion the "annual income available for debt service on Permitted Prior Lien Bonds (excluding
6 the SRF Loan), the Notes, the Bank Note and Additional Subordinate Lien Obligations" for
7 each year during the life of such Additional Subordinate Lien Obligations, after deducting
8 therefrom amounts required to pay principal and interest due in such year on the SRF Loan, shall
9 be at least equal to 1.25 times the amount required in each such year to pay:

10 (1) The principal of the Additional Subordinate Lien Obligations
11 being issued and all outstanding Permitted Prior Lien Bonds (excluding the SRF Loan), the
12 Notes (calculated as provided below), and any other outstanding Additional Subordinate Lien
13 Obligations, but excluding the amortization of principal of Term Bonds.

14 (2) The interest on the Additional Subordinate Lien Obligations being
15 issued and all outstanding Permitted Prior Lien Bonds (excluding the SRF Loan), the Notes
16 (calculated as provided below) and any other outstanding Additional Subordinate Lien
17 Obligations, but excluding any interest that shall be payable from the proceeds of the Additional
18 Subordinate Lien Obligations to be issued.

19 (3) The amounts required to be paid into any fund or account to
20 amortize the principal of any Additional Subordinate Lien Obligations that are Term Bonds
21 being issued and all outstanding Permitted Prior Lien Bonds that are Term Bonds.

22 (C) Amounts required to be paid in respect of Parity Bonds and Parity Lien
23 Obligations shall be calculated in accordance with the requirements set forth in
24 Section 21.B(1)(c) of Ordinance No. 11763 of the county. Amounts required to be paid in
25 respect of any Junior Lien Obligations that bear interest at variable rates shall be calculated in
26 the manner set forth for Variable Rate Parity Lien Obligations in Section 21B(1)(c)(ii) of
27 Ordinance No. 11763 of the county.

28 (D) Amounts required to be paid in respect of any Prior Lien Bond
29 Anticipation Notes and any Subordinate Lien Bond Anticipation Notes shall be calculated by
30 amortizing the then outstanding principal amount of such Prior Lien Bond Anticipation Notes
31 and Subordinate Lien Bond Anticipation Notes in accordance with a 30-year maturity schedule
32 resulting in approximately level debt service based on an assumed interest rate equal to the Bond

1 Buyer Revenue Bond Index as of a date no more than 90 days prior to the date of issuance of
2 such Additional Subordinate Lien Obligations or, if such index is not available, an assumed rate
3 of interest determined by and in the sole discretion of a firm of nationally recognized financial
4 consultants selected by the county.

5 (E) Amounts required to be paid in respect of the Notes shall be calculated by
6 amortizing the then outstanding principal amount of the Notes in accordance with a 30-year
7 maturity schedule and an assumed interest rate equal to the Bond Buyer Revenue Bond Index as
8 of a date no more than 90 days prior to the date of issuance of such Additional Subordinate Lien
9 Obligations or, if such index is not available, an assumed rate of interest determined by and in
10 the sole discretion of a firm of nationally recognized financial consultants selected by the county.

11 (F) Such "annual income available for debt service on Permitted Prior Lien
12 Bonds (excluding the SRF Loan), the Notes, the Bank Note and any Additional Subordinate
13 Lien Obligations" shall be determined as follows for each year following the proposed date of
14 issue of such Additional Subordinate Lien Obligations:

15 (1) The Revenue of the System shall be determined for a period of
16 any 12 consecutive months out of the 18 months immediately preceding the delivery of the
17 Additional Subordinate Lien Obligations being issued.

18 (2) Such revenue shall be adjusted to give effect on a 12-month basis
19 to the rates adopted by the council and to be in effect no later than one year from the date of
20 such certificate.

21 (3) If any Customers were added or are projected to be added to the
22 System during such 12-month period, such revenue shall be further adjusted on the basis that
23 added Customers were Customers of the System during the entire 12-month period, provided
24 that the engineer's projection of additional Customers shall not assume a growth of more than
25 2% over and above the number of Customers served or estimated to be served during the
26 preceding year.

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

29 (5) For each year following the proposed date of issuance of such
30 Additional Subordinate Lien Obligations the engineer shall add to the annual revenue determined
31 in the preceding four paragraphs an estimate of the income to be received in each such year from
32 the investment of moneys in any bond fund for such Additional Subordinate Lien Obligations

1 and the Construction Fund which will be determined by and in the sole discretion of a firm of
2 nationally recognized financial consultants selected by the county.

3 (6) Beginning with the second year following the proposed date of
4 issue of such Additional Subordinate Lien Obligations and for each year thereafter the engineer
5 shall add to the annual revenue determined in the preceding five paragraphs his or her estimate
6 of any additional annual revenue to be received from anticipated growth in the number of
7 Customers within the area which is served by the System on the date of such certificate, after
8 deducting therefrom any increased Operating and Maintenance Expenses estimated to be
9 incurred as a result of such growth; provided that the engineer's estimate of the number of
10 customers served shall not assume a growth of more than 1/4 of 1% over and above the number
11 of customers served or estimated to be served during the preceding year.

12 (7) If extensions of or additions to the System are in the process of
13 construction at the time of such certificate, or if the proceeds of the Additional Subordinate Lien
14 Obligations being issued are to be used to acquire or construct extensions of or additions to the
15 System, there shall be added to the annual net revenue as above determined any revenue not
16 included in the preceding paragraphs which will be derived from such additions and extensions
17 after deducting therefrom the estimated additional Operating and Maintenance Expenses to be
18 incurred as a result of such additions and extensions; provided that such estimated annual
19 revenue shall be based upon 75% of any estimated Customer growth in the four years following
20 the first full year in which such additional revenue is to be collected and thereafter the estimated
21 Customer growth shall not exceed 1/4 of 1% per year over and above such reduced estimate.
22 Such Additional Subordinate Lien Obligations shall be subject to such terms, conditions and
23 covenant set forth in their authorizing ordinances.

24 (d) Nothing herein contained shall prevent the county from issuing revenue bonds,
25 notes or other obligations that are a charge upon the Revenue of the System junior or inferior to
26 the payments required to be made therefrom into the Note Fund, the Bank Note Repayment
27 Fund, and any bond redemption fund or reserve account therein to pay and secure the payment
28 of any Additional Subordinate Lien Obligations.

29 SECTION 17. Execution of Notes; Authentication. The Notes shall be executed on
30 behalf of the county with the manual or facsimile signature of the county executive and may also
31 be attested by the manual or facsimile signature of the clerk of the county council. Only such
32 Notes as shall be authenticated by the Issuing and Paying Agent shall be valid or obligatory for

1 any purpose or entitled to the benefits of this ordinance. Such authentication shall be conclusive
2 evidence that the Notes so authenticated have been duly executed, authenticated and delivered
3 hereunder and are entitled to the benefits of this ordinance.

4 The official seal of the county may be impressed or a facsimile thereof imprinted on each
5 Note. In case any officer whose signature or facsimile thereof shall appear on any Note shall
6 cease to be such officer before the delivery of such Note, such signature or such facsimile
7 signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had
8 remained in office until the delivery of such Note.

9 SECTION 18. Authorized Officers; General Authorization. The following officials of
10 the county are hereby designated as Authorized Officers under this ordinance: the Director of
11 Finance, the Senior Financial Analyst in the Office of the Director of Finance, the Treasury
12 Division Manager and the Financial Division Manager. Each successor to the duties of each
13 such office shall be deemed to be an Authorized Officer under this ordinance. To identify the
14 Authorized Officers from time to time and their authentic signatures, the clerk of the council
15 shall execute an authorization letter in substantially the form attached as Exhibit E hereto, with
16 such supplements as may be necessary from time to time. The Authorized Officers and other
17 appropriate officials of the county are hereby authorized to do and perform from time to time
18 any and all things consistent with this ordinance necessary or appropriate to carry the same into
19 effect.

20 SECTION 19. Discharge of County's Obligations Hereunder and of Liens, Pledges and
21 Charges Created Hereby. The county's obligations under this ordinance, and the liens, pledges,
22 charges, covenants and agreements of the county herein made or provided for shall be fully
23 discharged and satisfied as to any Note, and such Note shall no longer be deemed to be
24 outstanding hereunder, if such Note shall have been purchased and canceled by the county, or as
25 to any Note not thereto canceled, when payment of the principal of such Note, plus interest
26 thereon to the due date thereof (a) shall have been made or caused to be made in accordance
27 with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Issuing
28 and Paying Agent therefor in trust and irrevocably appropriated solely for such payment,
29 (i) money sufficient to make such payment or (ii) direct obligations of, or obligations the
30 principal of and interest on which are unconditionally guaranteed by, the United States of
31 America maturing as to principal and interest in such amounts and at such times as will ensure
32 the availability of sufficient money to make such payment, and such Note shall cease to draw

1 interest from the due date thereof and, except for the purposes of such payment, shall no longer
2 be secured by or entitled to the benefits of this ordinance. Any money deposited with the
3 Issuing and Paying Agent for such Note as provided in this section may at the direction of the
4 county also be invested and reinvested in direct obligations of, or obligations the principal of and
5 interest on which are unconditionally guaranteed by, the United States of America maturing in
6 the amounts and at the times as hereinbefore set forth, and all income from all investments made
7 pursuant to this section that is not required for the payment of such Note and interest thereon
8 with respect to which such money or securities shall have been so deposited, shall be paid to the
9 county and deposited in the Sewer Revenue Fund as and when realized and collected.

10 SECTION 20. Ordinance to Constitute Contract. In consideration of the purchase and
11 acceptance of any and all of the Notes and the Bank Note authorized to be issued hereunder by
12 those who shall own or hold the same from time to time, this ordinance shall be deemed to be
13 and shall constitute a contract between the county and the Bank and between the county and
14 each of the owners from time to time of the Notes and the holder of the Bank Note; and the
15 covenants and agreements herein set forth to be performed on behalf of the county shall be for
16 the benefit and protection of the Bank and the owners of any and all of the Notes and the holder
17 of the Bank Note.

18 SECTION 21. Offering Memorandum. The Offering Memorandum prepared for the sale
19 of the Notes is hereby approved, and its distribution by the Dealers to prospective investors in
20 the Notes is hereby authorized. The Director of Finance is hereby authorized to update or cause
21 to be updated such Offering Memorandum and to prepare or cause to be prepared supplements
22 to such offering Memorandum from time to time and to approve the same for distribution by the
23 Dealers to the prospective investors in the Notes.

24 SECTION 22. Supplemental Ordinances. The Council from time to time and at any time
25 may pass an ordinance or ordinances supplemental to this ordinance, which supplemental
26 ordinance or ordinances thereafter shall become part of this ordinance for any one or more of
27 the following purposes:

28 (1) With the prior written consent of the Bank, to add to the covenants and
29 agreements of the county in this ordinance such other covenants and agreements thereafter to be
30 observed, which in the opinion of a nationally recognized firm of bond counsel will not adversely
31 affect the interests of the owners of any Notes or the holder of the Bank Note.
32

1 (2) To make such provisions for the purpose of curing any ambiguities or of curing,
 2 correcting or supplementing any defective provision contained in this ordinance in regard to
 3 matters or questions arising under this ordinance as the council may deem necessary or desirable
 4 and not inconsistent with this ordinance and which in the opinion of a nationally recognized firm
 5 of bond counsel will not adversely affect the interest of the owners of any Notes or the holder of
 6 the Bank Note.

7 SECTION 23. Notice to Rating Agencies. Notice of any of the following events shall be
 8 sent to each Rating Agency then maintaining a rating on the Notes: (i) any amendment to this
 9 ordinance, (ii) any amendment to the Line of Credit Agreement or the Issuing and Paying
 10 Agency Agreement, (iii) any change in a rating on the Notes, (iv) any proposed substitution of
 11 or successor to the Bank, (v) any defeasance or termination of the Note program; or (vi) any
 12 termination or expiration of the Line of Credit Agreement. Such notices shall be sent to the
 13 address provided by each Rating Agency.

14 Moody's address: Moody's Investors Service
 15 99 Church Street
 16 New York, New York 10007
 17 Attn: Public Finance Rating Desk--CP
 18 Telephone: (212) 553-0315
 19 Fax: (212) 553-7450

20 S&P address: Standard & Poor's Corporation
 21 25 Broadway
 22 New York, New York 10004
 23 Attn: Short-Term Debt Group - Public Finance
 24 Telephone: (212) 208-1811
 25 Fax: (212) 412-0506

26 SECTION 24. Severability. If any section, paragraph, clause or provision of this
 27 ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability
 28 of each section, paragraph, clause or provision shall not affect any of the remaining provisions of
 29 this ordinance.
 30
 31
 32

EXHIBIT A

The Notes, if issued in certificated form, shall be in substantially the following form:

NO. _____ \$ _____

STATE OF WASHINGTON

KING COUNTY

SEWER REVENUE BOND ANTICIPATION NOTE
COMMERCIAL PAPER SERIES A

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

INTEREST AMOUNT:

King County, Washington (the "County"), a municipal corporation organized and existing under and by virtue of the laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay, but solely from the Note Fund, to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount and Interest Amount specified above (which Interest Amount is calculated at the Interest Rate specified above on the basis of actual days elapsed and a year of 365/366 days.

This Note is one of an authorized issue of up to \$100,000,000 King County, Washington, Sewer Revenue Bond Anticipation Notes, Commercial Paper Series A, issued pursuant to and in full compliance with the Constitution and laws of the State of Washington, including Chapter 39.50 RCW, and an ordinance duly passed by the County Council on _____, 1995 (the "Note Ordinance"). Reference to the Note Ordinance is hereby made for a description of the notes of the issue of which this Note is one; definitions of terms; the funds applicable to the payment of said Notes; the covenants and agreements of the County, including the conditions under which other obligations of the County may be issued prior to, or on a parity and secured equally and ratably with, the said notes; the provisions by which the obligations of the County under the Note Ordinance and the lien and pledge securing this Note

1 may be discharged as to this Note by depositing with the aforesaid paying agents, in trust under
2 the Note Ordinance, money and certain securities sufficient for the payment of this Note and the
3 interest thereon; and the other terms and conditions upon which this Note is issued. This Note
4 is a special obligation of the County and is payable solely from the Note Fund of the County.

5 The County, by the Note Ordinance, has covenanted and agreed to deposit or cause to
6 be deposited in said Note Fund amounts derived from the following sources in the following
7 order of priority: (i) the proceeds of sale of Notes; (ii) to the extent not deposited into the Bank
8 Note Repayment Fund, proceeds from the sale of the Anticipated Sewer Revenue Bonds or
9 Bond Anticipation Notes issued for the purpose of refunding the Notes; (iii) amounts on deposit
10 in the Construction Account, (iv) any proceeds of Advances under the Line of Credit
11 Agreement; and (v) such additional amounts out of the Revenue of the System as shall be
12 necessary, when added to other amounts paid into the Note Fund, to pay the principal of and
13 interest on the Notes as the same become due and payable.

14 The County, by the Note Ordinance, has covenanted that on or before the Termination
15 Date it will:

- 16 (i) issue the Anticipated Sewer Revenue Bonds or additional Bond
17 Anticipation Notes, or
18 (ii) borrow under the Line of Credit Agreement, or
19 (iii) apply money out of the Revenue of the System and available money in the
20 Construction Account

21 in amounts sufficient to pay when due the principal of and interest on any and all outstanding
22 Notes.

23 The amounts covenanted to be deposited into the Note Fund from the Revenue of the
24 System shall constitute and the County has by the Note Ordinance granted and pledged to the
25 owners of the Notes a lien and charge on such Revenue junior, subordinate and inferior to
26 Operating and Maintenance Expenses; junior, subordinate and inferior to the lien and charge on
27 such Revenue for the payments required by the Parity Bond Ordinances to be made into the
28 Parity Bond Fund and the accounts therein, and into the Operating Reserve Account,
29 Contingency Reserve Account, and Betterment Reserve Account in the Sewer Revenue Fund;
30 junior, subordinate and inferior to the lien and charge on such Revenue for the payments
31 required under the SRF Loan Agreement; junior, subordinate and inferior to the lien and charge
32 on such Revenue of the payments required to be made into the Bond Fund and the accounts

1 therein; junior, subordinate and inferior to the payments required to be made to pay or to secure
2 the payment of certain obligations of the County authorized to be issued pursuant to the Note
3 Ordinance; and equal in rank with the lien and charge on such Revenue of certain additional
4 Subordinate Lien Obligations of the County authorized to be issued pursuant to the Note
5 Ordinance.

6 The County has entered into a Line of Credit Agreement with Bayerische Landesbank
7 Girozentrale, acting through its New York Branch, pursuant to which said Bank has agreed,
8 subject to certain conditions therein, if required, to lend the County amounts up to
9 \$100,000,000 as may be needed to pay the principal of the Notes when the same become due.

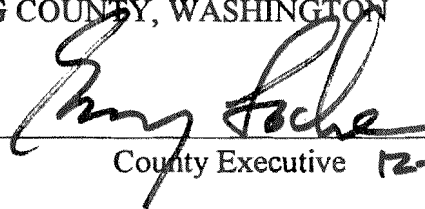
10 This Note shall not be deemed to constitute a general obligation or pledge of the faith
11 and credit of the County or a debt or a pledge of the faith and credit of the State of Washington
12 or any other municipal corporation or political subdivision thereof. Neither the County nor the
13 State of Washington nor any other municipal corporation or political subdivision thereof shall be
14 obligated to pay the principal of or interest on this Note, except in the case of the County as set
15 forth in the Note Ordinance, and neither the faith and credit nor the taxing power of the County,
16 the State of Washington or any other municipal corporation or political subdivision thereof is
17 pledged to the payment of the principal of or interest on this Note.

18 It is hereby certified and recited that any and all acts, conditions and things required to
19 exist, to happen and to be performed precedent to or in the issuance of this Note, exist, have
20 happened and have been performed in due time, form and manner, as required by the
21 Constitution and laws of the State of Washington and the Note Ordinance.

22 THIS NOTE IS ONE OF THE SERIES OF
23 NOTES DESCRIBED IN THE WITHIN-
24 MENTIONED NOTE ORDINANCE

KING COUNTY, WASHINGTON

By


County Executive 12-19-95

25 THE BANK OF NEW YORK, as
26 Issuing and Paying Agent

27 By _____
28 Authorized Signatory

Attest _____
Clerk of the County Council

29 THIS NOTE IS NOT VALID UNLESS COUNTERSIGNED
30 BY THE ISSUING AND PAYING AGENT
31
32

DEALER AGREEMENT

Agreement dated _____, 1995 between King County, a Washington municipal corporation, (the "Issuer") and J.P. Morgan Securities Inc., a wholly owned subsidiary of J.P. Morgan & Co. Incorporated, a Delaware corporation, ("JPMS") in connection with the offer and sale of the Notes referred to in this Agreement and issued pursuant to the Issuer's Ordinance No. (the "Note Ordinance") and an Issuing and Paying Agency Agreement dated _____, 19__ between the Issuer and The Bank of New York (the "Issuing and Paying Agent") (the "Issuing and Paying Agency Agreement").

1. Appointment of JPMS. The Issuer hereby requests JPMS to act, on the terms and conditions specified herein, as the Issuer's dealer for the offer and sale from time to time of tax-exempt commercial paper Sewer Revenue Bond Anticipation Notes, Commercial Paper Series A (the "Notes") to be issued by the Issuer and offered and sold in the U.S. commercial paper market. The Issuer is not obligated to sell and JPMS is not obligated to purchase the Notes.

2. Sale of Notes. The Notes will be issued by the Issuer either (a) as book-entry obligations represented by one or more master notes and recorded in the electronic book-entry system maintained by The Depository Trust Company or any other clearing corporation (each a "Clearing Corporation") within the meaning of Section 8-102(3) of the Uniform Commercial Code in accordance with the terms of the letter of representations among the Issuer, the Issuing and Paying Agent and the Clearing Corporation (the "Clearing Corporation Letter of Representations") a copy of which is attached hereto as Exhibit I, or (b) as physical certificated notes delivered to the purchaser thereof or a person designated by such purchaser. JPMS agrees to offer and sell the Notes, as the Issuer's dealer, to institutional investors and other entities and individuals who

normally purchase commercial paper in the U.S. commercial paper market. The Notes will (i) be sold in minimum denominations of \$100,000 and integral multiples of \$5,000 in excess thereof; (ii) mature not more than 270 days from the date of issuance; (iii) have no extension, renewal or automatic roll-over provisions; and (iv) be rated as "prime" quality commercial paper by at least two of the following nationally recognized statistical rating organizations: Moody's Investors Service, Standard & Poor's Rating Group, a division of the McGraw Hill Companies, Inc. and Fitch Investors Service, Inc. (the "Rating Agencies").

3. Representations and Warranties. The Issuer represents and warrants to JPMS that: the Issuer is a municipal corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has all requisite power and authority to conduct its business as now being conducted and to own its properties; the Issuer has all requisite power and authority pursuant to the Note Ordinance to execute and deliver the Notes and to execute, deliver and perform this Agreement, the Clearing Corporation Letter of Representations and the Issuing and Paying Agency Agreement, a copy of which is attached hereto as Exhibit II; this Agreement, the Issuing and Paying Agency Agreement and the Clearing Corporation Letter of Representations have been duly authorized, executed and delivered by the Issuer and are valid and binding agreements of the Issuer enforceable in accordance with their respective terms; the Notes have been duly authorized and, when issued and delivered, will be duly and validly issued and delivered and will constitute valid and binding obligations of the Issuer enforceable in accordance with their terms; the execution and delivery of the Notes and the execution, delivery and performance of this Agreement, the Issuing and Paying Agency Agreement and the Clearing Corporation Letter of Representations will not violate any law, rule, regulation, order, judgment or decree applicable to the Issuer or conflict with or result in a breach of or constitute a default under any agreement or instrument to which the Issuer is a party or by which it or any of its property is bound; no governmental, administrative or official consent, approval, authorization, notice or filing is

required for the execution and delivery of the Notes or the execution, delivery and performance by the Issuer of this Agreement, the Issuing and Paying Agency Agreement and the Clearing Corporation Letter of Representations; the Notes will be secured by Net Revenues and will rank in lien as specified in the Note Ordinance.

4. Covenants. The Issuer agrees with JPMS that:

(a) Prior to the issuance of Notes, the Issuer will furnish to JPMS opinions of counsel (i) to the effect that the Notes are exempt from registration under Section 3(a)(2) of the Securities Act, (ii) the federal income tax treatment of the interest on the Notes under the Internal Revenue Code of 1986, as amended, (iii) each of the other matters set forth in Section 3 hereof, and (iv) as to such other matters as JPMS may reasonably request;

(b) Each issuance of Notes by the Issuer shall be deemed a representation and warranty by the Issuer to JPMS, as of the date thereof, that the representations and warranties of the Issuer set forth in Section 3 hereof are true and correct as if made on and as of such date;

(c) The Issuer shall furnish to JPMS such information as JPMS may reasonably request regarding (i) the Issuer's operations and financial condition, (ii) the due authorization and execution of the Notes and (iii) the Issuer's ability to pay the Notes as they mature; and

(d) The Issuer will reasonably cooperate with JPMS to take all action necessary to ensure that each offer and each sale of Notes by the Issuer will comply with any applicable state securities or "Blue Sky" laws, provided that the issuer shall not be required to do business or consent to service of process in any state or jurisdiction other than Washington. .

5. Placement Memorandum.

(a) JPMS will prepare and distribute to investors and potential investors in the Notes a placement memorandum ("Memorandum") containing financial information about the Issuer. Such Memorandum will be updated periodically to reflect material changes in the Issuer's business or

financial condition as to which the Issuer shall have advised JPMS.

(b) The Issuer agrees to furnish JPMS with sufficient information to enable JPMS to prepare the original Memorandum and updates thereof, including (i) as soon as practicable after the end of each of the first three quarters in the Issuer's fiscal year, the financial reports of the Sewer System, as defined in the Senior Lien Ordinance, as of the end of such fiscal quarter, (ii) as soon as practicable after the end of each fiscal year of the Issuer, the annual audited financial statements of sewer system and the Issuer and (iii) as soon as practicable, any information concerning the financial condition or results of operations of the Issuer that has been generally communicated to the public or that makes any statement in the Memorandum materially false or misleading or by its omission would cause the Memorandum to be materially false or misleading. The Issuer agrees that all financial statements delivered to JPMS hereunder will fairly present the financial condition of the Issuer as of the date set forth therein and the results of operations for the periods set forth therein, all in conformity with the Budget, Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute).

(c) Before distribution of the Memorandum, or any update thereof, JPMS will provide a copy thereof to the Issuer, and will not distribute the same without the Issuer's prior written approval. Such approval shall be deemed to be a representation and warranty by the Issuer that the Memorandum, or any update thereof being distributed, does not contain an untrue statement of a material fact or an omission of a material fact necessary to make any statement contained therein, in light of the circumstances in which such statement was made, not misleading.

6. Option to Purchase.

(a) It is understood that if JPMS as "Dealer" is unable to sell any or all of the Securities allotted to it with respect to any issuance of Securities, such Dealer will purchase as principal from time to time and hold, on terms mutually agreeable to both Dealer and Issuer, such Securities at an effective annual yield not exceeding the effective annual yield at which such Dealer is selling

comparable securities to investors; provided, that if such Dealer has notified the Issuer that it does not then have any buyers for such Securities, the effective annual yield on such Securities shall be commensurate with prevailing market conditions; provided, further, that the Dealer shall not have any obligation to purchase Securities during any period in which at least two of the Rating Agencies have assigned a rating lower than A-1, P-1 or F-1, as applicable, to the Securities; and provided, finally, that with the exception of the conditions set forth in section 6(b), the Dealer shall not have any obligation to purchase any Securities allotted to any Co-Dealer with respect to any issuance of the Securities. Notwithstanding the foregoing, in no event will any of the Securities bear interest at a rate in excess of the maximum rate authorized by a prior agreement.

(b) If, prior to 10:30 A.M., New York time, on any day on which Notes are to be issued, the Dealer receives notice from Smith Mitchell Investment Group, a division of M.R. Beal & Company ("SMIG"), that it SMIG will not be able to sell prior to 12:00 P.M., New York time, on such day, the full amount of the Notes allocated to it SMIG, the Dealer will assume immediately the obligation to market and purchase those Notes which are the subject of such notice. In the event that there is a second occasion on which SMIG delivers notice that SMIG will not be able to sell prior to 12:00 P.M., New York time, the full amount of the Notes allocated to SMIG, the Dealer will assume immediately the obligation to market and purchase those Notes which are the subject of such notice. Smith Mitchell Investment Group delivers a second notice,—Upon the second occurrence of the delivery of such a notice J.P. Morgan will henceforth be the exclusive dealer for those Notes which are the subject of such second notice or any subsequent notice.

7. Payment of Fees and Expenses.

(a) In consideration of the services to be performed by the Dealer under this Agreement, the Issuer agrees to pay the Dealer a fee of 0.04% per annum (calculated on an actual/actual basis) of the Dealer's allocation of the Notes outstanding. It is understood and agreed that (i) payment of such fee shall be made by the Issuer quarterly, upon receipt of an invoice from the Dealer, and (ii)

the obligation of the Issuer to pay such fee shall survive the termination or cancellation of this Agreement to the extent that such obligation relates to Notes outstanding prior to such termination or cancellation.

(b) The fee quoted in section 7(a) of this agreement will remain in effect until at least December 31, 1998. After such date, the fee may be adjusted to reflect current market practices upon the mutual consent of the Issuer and the Dealer. In the event the fee is adjusted, a letter specifying the new fee, and signed by an Authorized Officer of the County and a representative of the Dealer, shall be attached to this Agreement.

(c) The Issuer agrees to reimburse the Dealer for reasonable out of pocket expenses in connection with the initial delivery of the Notes.

8. Notices, Addresses. All communications and notices shall be in writing or confirmed in writing and shall be effective when received at the address specified below:

(i) if to JPMS, to it at 60 Wall Street, New York, New York 10260-0060, Attention: Thomas F. Gallo, Vice President; Telephone: 212-648-0913; Telecopy: 212-648-5916, or at such other address as may from time to time be designated by notice to the Issuer in writing; and

(ii) if to the Issuer, to it at: M/S 72, 821 Second Avenue, Seattle, Washington, 98104-1598, Attention: Nigel Lewis, Telephone: (206) 684-1020; Telecopy: 206-684-2168, and King County Administration Building, Room 611, 500 Fourth Avenue, Seattle, Washington, 98104, Attention: D. Lee Dedrick, Telephone: 206-296-7326, Telecopy: 206-296-7345 or at such other address as may from time to time be designated by notice to JPMS in writing.

9 Assignment. JPMS may assign its rights and obligations under this Agreement to any wholly-owned subsidiary of J.P. Morgan & Co. Incorporated.

10. Termination. This Agreement may be terminated at any time by the Issuer or by JPMS by written notice to the other parties and to the Bank (as defined in the Note Ordinance) at least thirty days prior to such termination, except that this Agreement shall, notwithstanding such notice,

remain applicable to any Notes outstanding at the time of such notice.

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11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf by officers duly authorized thereunto, all as of the day and year first above written.

J.P. MORGAN SECURITIES INC.

By: _____
Name:
Title: Vice President

KING COUNTY

By: _____
Name:
Title: County Executive

ISSUING AND PAYING AGENCY AGREEMENT

THIS ISSUING AND PAYING AGENCY AGREEMENT (the "Issuing and Paying Agency Agreement") dated as of November 1, 1995, among King County, Washington (the "County"), The Bank of New York (the "Issuing and Paying Agent") and J.P. Morgan Securities Inc. and the Smith Mitchell Investment Group, a Division of M. R. Beal & Company (each a "Dealer" and together the "Dealers");

WITNESSETH:

WHEREAS, the County is authorized, pursuant Chapter 39.50 of the Revised Code of Washington ("RCW"), to borrow money and issue short term obligations; and

WHEREAS, pursuant to Ordinance No. _____ of the County (the "Note Ordinance"), the County has authorized not to exceed \$100,000,000 aggregate principal amount of sewer revenue bonds of the County and, in anticipation of the issuance of such bonds, has authorized not to exceed \$100,000,000 aggregate principal amount of sewer revenue bond anticipation notes of the County in a commercial paper series (the "Notes"); and

WHEREAS, to provide for the sale of the Notes, pursuant to the Note Ordinance, the County has entered into a Commercial Paper Dealer Agreement, dated as of November 1, 1995 (the "Dealer Agreement"), with J.P. Morgan Securities Inc., as dealer (the "Dealer"); and

WHEREAS, to provide liquidity support for the Notes, pursuant to the Note Ordinance, the County has entered into a Line of Credit Agreement, dated as of November 1, 1995 (the "Line of Credit Agreement"), with Bayerische Landesbank Girozentrale, acting through its New York Branch (the "Bank"); and

WHEREAS, to provide for the issuance of the Notes, the Note Ordinance also authorized the County to enter into this Issuing and Paying Agency Agreement; and

WHEREAS, The Bank of New York has agreed to act as Issuing and Paying Agent hereunder on the terms and conditions set forth herein and in the Note Ordinance;

NOW THEREFORE, the parties hereto agree as follows:

Section 1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meaning given such terms in the Note Ordinance.

Section 2. Appointment of Issuing and Paying Agent. Subject to the terms and conditions contained herein, the County has, pursuant to the Note Ordinance, appointed The Bank of New York, and The Bank of New York hereby accepts such appointment hereunder and under the Note Ordinance, as Issuing and Paying Agent in connection with the issuance and payment of the Notes from time to time in accordance with the Note Ordinance. The Bank and the Dealer consent to the appointment of The Bank of New York as initial Issuing and Paying Agent.

Section 3. Authorized Officers. From time to time the County will furnish the Issuing and Paying Agent with a letter of authorization ("Authorization Letter") certifying the incumbency and specimen signatures of Authorized Officers under the Note Ordinance. Until the Issuing and Paying Agent receives a subsequent Authorization Letter of the County, the Issuing and Paying Agent shall be entitled to rely on the last such Authorization Letter delivered to it for purposes of determining the Authorized Officers.

Section 4. Use of Securities Depository.

(a) In accordance with the Note Ordinance, The Depository Trust Company of New York, New York ("DTC") has been appointed as securities depository for the Notes, and the County and the Issuing and Paying Agent shall execute and deliver to DTC a Letter of Representations (the "Letter of Representations") in substantially the form attached as Exhibit F to the Note Ordinance.

(b) In accordance with the Note Ordinance and the Letter of Representations, the Notes shall be issued initially in the form of a Master Note Certificate (the "Master Note") fully registered in the name of Cede & Co., as nominee for DTC. Upon delivery by DTC to the Issuing and Paying Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Issuing and Paying Agency Agreement shall refer to such new nominee of DTC.

(c) The County hereby authorizes and directs the Issuing and Paying Agent, prior to the execution and delivery of the Master Note, to enter into a Money Market Instrument Certificate Agreement, in substantially the form attached as Exhibit ___ hereto (the "Certificate Agreement"), with DTC. The Certificate Agreement is a necessary prerequisite to DTC's acceptance of the Master Note for the purpose of permitting the Notes to be registered in DTC's book-entry only system. The Certificate Agreement shall supplement the provisions of this Issuing and Paying Agency Agreement and the Note Ordinance with respect to the obligations and duties of the Issuing and Paying Agent who shall be bound thereby and agrees to perform its duties hereunder and under the Note Ordinance in accordance therewith.

(d) The Master Note shall be exchangeable for Notes in certificated form registered in the names of Participants and/or Beneficial Owners if, but only if, (i) DTC notifies the County that it is unwilling or unable to continue as depository for such Notes or at any time ceases to be a clearing agency registered as such under the 1934 Act or (ii) the County instructs the Issuing and Paying Agent that such Master Note shall be exchangeable. In any such event, the Issuing and Paying Agent shall issue, transfer and exchange Note certificates as requested by DTC in appropriate amounts pursuant to this Issuing and Paying Agency Agreement. The County shall pay all costs in connection with the production, execution and delivery of such Note certificates. If Note certificates are issued, the provisions of this Issuing and Paying Agency Agreement shall apply to, among other things, the transfer and exchange of such certificates and the method of payment and principal of and interest on such Note certificates.

(e) In connection with any notice or other communication to be provided to the holders of such Notes by the County or the Issuing and Paying Agent with respect to any consent or other action to be taken by the holders of such Notes, the County or the Issuing and Paying Agent, as the case may be, shall seek to establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Such notice to DTC shall be given only when DTC is the sole holder.

Section 5. Authorization and Delivery of Notes in Book-Entry Form. So long as the Notes are held in book-entry form by DTC or a successor depository, each Dealer, as designated agent for the County, may from time to time, in accordance with the Note Ordinance, submit to the Issuing and Paying Agent a request regarding the issuance of Notes in substantially the form attached as Exhibit ___ hereto (the "Request").

Upon receipt of a Request, the Issuing and Paying Agent shall:

(a) prepare an instruction for DTC (the "Instruction") that sets forth the name, address, and taxpayer identification number of the purchaser of an interest in the Notes, the date of issuance, maturity, principal amount and interest rate of such interest in Notes, and a CUSIP number, all in substantially the form attached as Exhibit ___ hereto;

(b) deliver such Instruction to DTC in accordance with the Letter of Representations and other applicable DTC procedures, and receive from DTC a confirmation that such delivery was effected;

(c) confirm to the County and the Dealer delivery to DTC of each Instruction.

All Requests given to the Issuing and Paying Agent shall be given by telephone (promptly confirmed in writing), facsimile or other written form. The Issuing and Paying Agent shall have no duty to act in the absence of written instructions.

If the Issuing and Paying Agent receives a Request by 12:15 p.m., New York City time, on any Business Day, it shall issue an Instruction to DTC by 1:00 p.m. on such Business Day. If the Issuing and Paying Agent receives a Request after 12:15 p.m. New York City time, it shall issue an Instruction to DTC by 1:00 p.m. on the next succeeding Business Day.

Section 6. Authorization and Delivery of Notes in Certificated Form. If at any time the Notes are no longer held in book-entry form by DTC or a successor depository, and the County has determined under the Note Ordinance that the Notes should be issued in certificated form, the County shall provide the Issuing and Paying Agent, at the County's sole expense, a supply of Note certificates in substantially the form attached as Exhibit A to the Note Ordinance, with the issue date, maturity date, principal amount, interest rate and interest amount left blank.

Such Note certificates shall be executed in accordance with the Note Ordinance and shall be held in safekeeping by the Issuing and Paying Agent.

Each Dealer, as designated agent for the County, may from time to time, in accordance with the Note Ordinance, submit to the Issuing and Paying Agent a request in substantially the form attached as Exhibit ___ hereto (the "Request") regarding the issuance of Notes in certificated form.

Upon receipt of such a Request, the Issuing and Paying Agent shall:

- (a) withdraw the necessary number of Notes from safekeeping;
- (b) in accordance with the Request, complete each such Note as to the amount of principal, the interest rate and interest amount, the issue date, the maturity date and registered owner;
- (c) authenticate each such Note by executing by manual or facsimile signature the certificate of authentication thereon;
- (d) deliver, as provided herein, each such Note to the Dealer for delivery to the purchaser specified in such instructions or to the consignee to or for the account of the purchaser thereof, against receipt of payment to the Note Payment Fund; and
- (e) confirm to the County and the Dealer delivery of such Notes.

Section 7. Reliance on Instructions. The Issuing and Paying Agent shall incur no liability to the County or the Dealers in acting hereunder upon telephonic or other instructions contemplated hereby that the Issuing and Paying Agent reasonably believed in good faith to have been given by a Dealer or an Authorized Officer. All telephonic instructions given pursuant to Sections 5 and 6 hereof shall be promptly confirmed in writing to the Issuing and Paying Agent.

Section 8 Limitation on Issuance.

- (a) Notwithstanding any contrary instructions from an Authorized Officer, the Issuing and Paying Agent shall not deliver any certificated Note with respect to any interest in Notes that
- (a) is not in a denomination of \$100,000 or an integral multiple of \$5,000 above \$100,000, or
- (b) has a rate of interest greater than ___% per annum, or (c) has a maturity date that is later than

the earlier of (i) 270 days from the date of issuance of the Instruction or (ii) the Termination Date under the Line of Credit Agreement or (iii) December 1, 2016; nor shall the Issuing and Paying Agent deliver any Instruction with respect to Notes or any contractual Note that would result in an outstanding principal amount of Notes or any certificated Note greater than the Available Commitment under the Line of Credit Agreement. For purposes of determining the Available Commitment, the Issuing and Paying Agent may conclusively rely on any information with respect to the principal amount of Advances outstanding at any time provided to the Issuing and Paying Agent by the Bank.

(b) From time to time the Bank will furnish the Issuing and Paying Agent with a certificate of the Bank, certifying the incumbency and specimen signatures of officers of the Bank authorized to execute No Issuance Notices or Termination Notices (as each is defined in the Line of Credit Agreement) on behalf of the Bank as provided for in the Line of Credit Agreement. Initially such officers will be those identified in the certificate delivered in connection with the execution and delivery of the Line of Credit Agreement. Until the Issuing and Paying Agent receives a subsequent incumbency certificate of the Bank, the Issuing and Paying Agent shall be entitled to rely on the last such certificate delivered to it for the purposes of determining the authorized officers of the Bank. If the Issuing and Paying Agent receives a No Issuance Notice or Termination Notice from the Bank, then the Issuing and Paying Agent shall immediately notify the County and the Dealer of its receipt of such notice and, so long as such notice is in effect, it shall cease authenticating or delivering Instructions or certificated Notes, notwithstanding any contrary Requests received from an Authorized Officer; provided, however, that no such No Issuance Notice received after the Issuing and Paying Agent has received a Request given in accordance with this Issuing and Paying Agency Agreement shall be effective with respect to such Instruction or certificated Note. No further authentication or delivery of certificated Notes or preparation and delivery of an Instruction shall be made until such time as the Bank shall have rescinded such No Issuance Notice to the Issuing and Paying Agent in writing in accordance with the Line of Credit Agreement.

Section 9. Note Payment Account; Draws on Line of Credit.

(a) Pursuant to Section 8 of the Note Ordinance, the Issuing and Paying Agent shall establish a special account to be used by the Issuing and Paying Agent for payment of Notes (the "Note Payment Account"). The Note Payment Account shall be held by the Issuing and Paying Agent in trust for the owners and beneficial owners of the Notes. The Issuing and Paying Agent shall not have a lien on the Note Payment Account for the payment of any fees or expenses or other obligations owing to the Issuing and Paying Agent hereunder.

(b) Payments from the County to pay principal of or interest on the Notes shall be credited to the Note Payment Account and applied in accordance with Section 10 hereof. Any such payments from the County shall be made by ACH transfer initiated the day prior to each date on which Notes mature.

(c) No later than 11:30 a.m. New York City time on any date on which Notes mature, the Dealer shall notify the Issuing and Paying Agent and the County of the principal amount of the Request for issuance of Notes, if any, that it expects to deliver that day in accordance with Section 5 or Section 6 hereof. If the principal amount of such expected Request, together with any funds received from the County pursuant to Section 9(d) hereof for the payment of principal of such maturing Notes, is less than the principal amount of the Notes maturing on such date, or if the Issuing and Paying Agent receives no notice from the Dealer regarding such expected Request by 11:30 a.m. New York City time, the Issuing and Paying Agent shall submit to the Bank a Request for Advance, in such form as is set forth in the Line of Credit Agreement, no later than 12:00 noon New York City, in order to draw on the line of credit in such amount as is necessary to pay the principal amount of Notes maturing on such date. The Issuing and Paying Agent shall deposit the amount of any such Advance in the Note Payment Account and applied in accordance with Section 10 hereof.

(d) On a day that any Notes mature, if the amount of any Advance received by the Issuing and Paying Agent pursuant to paragraph (c) above, together with any Note proceeds actually received from the Dealer [by ____ p.m.] on such day pursuant to Section 12 hereof,

exceeds the amount of principal paid with respect to the Notes maturing on such day, the Issuing and Paying Agent shall promptly return such excess amount to the Bank, and shall give notice regarding such returned amount to the Bank and the County.

Section 10. Payment of Matured Notes.

(a) So long as the Notes are held in book-entry form, the Issuing and Paying Agent will pay the principal of and interest on matured Notes to DTC in accordance with the Letter of Representations and other applicable DTC procedures. Such payments shall be made from and to the extent that sufficient funds are available in the Note Payment Account from the following sources in the following order of priority:

- (i) amounts received from the County;
- (ii) proceeds of sale of Notes; and
- (iii) amounts received from an Advance pursuant to Section 9(c) hereof.

The Issuing and Paying Agent shall have no obligation to pay, at maturity, the amounts referred to in this Section 10 unless sufficient funds have been received by the Issuing and Paying Agent in collected funds.

(b) The Issuing and Paying Agent shall confirm in writing to an Authorized Officer and to each Dealer by 3:00 p.m., New York City time, on each Business Day prior to a day on which Notes mature (i) the aggregate principal amount of Notes maturing on such day and the interest due thereon and (ii) the aggregate principal of and the interest to accrue to maturity on all Notes Outstanding that mature after such day.

(c) The County shall give each Dealer, the Bank and the Issuing and Paying Agent notice at least three Business Days prior to any date on which it wishes to increase or decrease the aggregate principal amount of Notes Outstanding.

Section 11. Bank Repayment Account. The Issuing and Paying Agent shall establish a special account to be used by the Issuing and Paying Agent for payments to the Bank with respect to Advances under the Line of Credit Agreement (the "Bank Repayment Account"). The Bank Repayment Account shall be held by the Issuing and Paying Agent in trust for the benefit of the

Bank. The Issuing and Paying Agent shall give notice to the County of any Note proceeds credited to the Bank Repayment Account pursuant to Section 12 hereof and shall promptly pay such amounts to the Bank.

Section 12. Delivery and Application of Note Proceeds. No later than [2:00 p.m.] on the day that any Notes are issued hereunder, the Dealer shall deliver to the Issuing and Paying the proceeds of sale of such Notes in immediately available funds. In accordance with Section 7 of the Note Ordinance, the Issuing and Paying Agent shall apply proceeds from the sale of Notes in the following order of priority:

- (i) First, credited to the Note Payment Account for the payment of principal of Notes maturing on such date;
- (ii) Second, credited to the Bank Repayment Account for the payment of the outstanding principal amount of the Loan (as defined in the Line of Credit Agreement); and
- (iii) Third, paid to the County for deposit into the Construction Account, as provided in Section 7 of the Note Ordinance.

Section 13. Representation and Warranties of the County. Each Request given to the Issuing and Paying Agent in accordance with Section 5 hereof shall constitute a representation and warranty to the Issuing and Paying Agent by the County that the issuance and delivery of the Notes in accordance with such Request have been duly and validly authorized by the County and that the Notes when delivered in accordance with such Request, the Note Ordinance and this Issuing and Paying Agency Agreement will constitute the legal, valid and binding obligations of the County.

Section 14. Compensation of the Issuing and Paying Agent. The County agrees to pay the compensation of the Issuing and Paying Agent at such rates as shall be agreed upon from time to time and to reimburse the Issuing and Paying Agent for its reasonable out-of-pocket expenses (including reasonable legal fees and expenses), disbursements and advances incurred or made in connection with the Issuing and Paying Agent's execution and performance of this Issuing and Paying Agency Agreement. The obligations of the County to the Issuing and Paying Agent

pursuant to this Section shall survive the resignation or removal of the Issuing and Paying Agent and the satisfaction or termination of this Issuing and Paying Agency Agreement.

Section 15. Notices; Addresses.

(a) All communications by or on behalf of the County by telephone or otherwise, relating to the completion, delivery or payment of the Note(s) are to be directed to the Corporate Trust Department of the Issuing and Paying Agent (or such other department or division as the Issuing and Paying Agent shall specify in writing to the County). The Issuing and Paying Agent will advise the County from time to time of the individuals of the Issuing and Paying Agent generally responsible for the administration of this Issuing and Paying Agency Agreement.

(b) Notices and other communications hereunder shall (except to the extent otherwise expressly provided) be in writing and may be made by facsimile transmission and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice:

If to the County:	<p>King County <u>Department of Metropolitan Services</u> <u>821 Second Avenue M/S 72</u> Seattle, Washington 98104 Attention: Nigel Lewis Telephone: (206) 684-1020 Facsimile: (206) 684-2168</p>
and to	<p>King County Office of Financial Management Finance Division King County Admin. Bldg., Room 611 500 Fourth Avenue Seattle, Washington 98104 Attention: Mr. D. Lee Dedrick Telephone: (206) 296-7326 Fax: (206) 296-7345</p>
If to the Issuing and Paying Agent:	<p>The Bank of New York 101 Barclay Street, Floor 21 West New York, New York 10286 Attention: Corporate Trust Trustee Administrator Telephone: (212) 815-5733</p>

Facsimile: (212) 815-5915

If to the Bank: Bayerische Landesbank Girozentrale
New York Branch
560 Lexington Avenue
New York, New York 10022
Attention: Mr. Scott M. Allison, Vice President and Manager,
Public Finance
Facsimile: (212) 310-9868
Telecopy: (212) 310-9869

If to the Dealers: J.P. Morgan Securities Inc.
60 Wall Street
New York, New York 10260
Attention: Head of Short-Term Trading, Municipal
Department
Telephone: (212) 648-0913

Smith Mitchell Investment Group,
A Division of M. R. Beal & Company
565 Fifth Avenue, Eighth Floor
New York, New York 10017
Attention: Thomas Monti, Vice President
Telephone: (212) 983-3900
Facsimile: (212) 573-9442

Section 16. Liability. Neither the Issuing and Paying Agent nor its officers or employees shall be liable for any loss or damages, including reasonable attorneys' fees and expenses, resulting from any act or omission hereunder except in the case of negligence or willful misconduct. The duties and obligations of the Issuing and Paying Agent, its officers and employees shall be determined by the express provisions of this Issuing and Paying Agency Agreement and they shall not be liable except for the performance of such duties and obligations as are specifically set forth herein and no implied covenants shall be read into this Issuing and Paying Agency Agreement against them. Neither the Issuing and Paying Agent nor its officers or employees shall be required to ascertain whether any issuance or sale of Note(s) (or any amendment or termination of this Issuing and Paying Agency Agreement) has been duly

authorized or is in compliance with any other agreement to which the County is a party (whether or not the Issuing and Paying Agent is also a party to such other agreement).

Section 17. Benefit of Agreement. This Issuing and Paying Agency Agreement is solely for the benefit of the parties hereto and no other person shall acquire or have any right under or by virtue hereof.

Section 18. Resignation or Removal of Issuing and Paying Agent. The Issuing and Paying Agent may at any time resign as such agent by giving written notice to the County and the Bank of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall be not less than three months after the giving of such notice by the Issuing and Paying Agent to the County. The Issuing and Paying Agent may be removed at any time by the filing with it of an instrument in writing signed by a duly authorized officer of the County and specifying such removal and the date upon which it is intended to become effective, which date shall not be less than 30 days from the date that notice is received. Such resignation or removal shall take effect on the date of the appointment by the County of a successor Issuing and Paying Agent and the acceptance of such appointment by such successor Issuing and Paying Agent. In the event of resignation by the Issuing and Paying Agent, if a successor agent has not been appointed by the date as of which the resignation of the Issuing and Paying Agent is to be effective, as set forth in the resignation notice of the Issuing and Paying Agent referred to above, the Issuing and Paying Agent may, at the expense of the County, petition any court of competent jurisdiction for appointment of a successor Issuing and Paying Agent.

Section 19. Governing Law; Venue. This Issuing and Paying Agency Agreement is to be delivered and performed in, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Washington. Venue of any action, suit or proceeding brought to enforce or rescind this Issuing and Paying Agency Agreement, or to claim damages for breach thereof, shall be in King County, Washington.

Section 20. Amendments. This Issuing and Paying Agency Agreement may be amended by any written instrument signed by the parties with the consent of the Dealer and the

Bank, so long as such amendment does not adversely affect the rights of the Owners and Beneficial Owners of Certificates, as certified in writing by the County to the Issuing and Paying Agent.

Section 21. Counterparts. This Issuing and Paying Agency Agreement may be executed by the parties hereto in any number of counterparts, and by each of the parties hereto in separate counterparts, each such counterpart, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Issuing and Paying Agency Agreement to be executed on their behalf by officers duly authorized thereunto, all as of the day and year first-above written.

THE BANK OF NEW YORK

By _____
 Title _____

KING COUNTY, WASHINGTON

By _____
 County Executive

J.P. MORGAN SECURITIES INC.

By _____
 Title _____

SMITH MITCHELL INVESTMENT
 GROUP, A DIVISION OF M. R. BEAL &
 COMPANY

By _____
 Title _____

12057

CONSENTED TO:

BAYERISCHE LANDESBANK GIROZENTRALE,
acting through its New York Branch

By _____
Title _____

By _____
Title _____

LINE OF CREDIT AGREEMENT

dated

December 20, 1995

among

KING COUNTY, WASHINGTON

and

BAYERISCHE LANDESBANK GIROZENTRALE
Acting Through its New York Branch

and

THE BANK OF NEW YORK,
As Issuing and Paying Agent

Prepared By:

Kutak Rock
4400 Georgia-Pacific Center
133 Peachtree Street, N.E.
Atlanta, GA 30303

LINE OF CREDIT AGREEMENT

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LINE OF CREDIT AGREEMENT

THIS LINE OF CREDIT AGREEMENT (the "Agreement") dated as of December 20, 1995, among **KING COUNTY, WASHINGTON** (the "County"), **BAYERISCHE LANDESBANK GIROZENTRALE**, acting through its New York Branch (the "Bank") and **THE BANK OF NEW YORK**, as Issuing and Paying Agent (the "Issuing and Paying Agent");

WITNESSETH:

WHEREAS, the County is authorized pursuant to Chapter 216 of the 1982 Laws of Washington, codified as Chapter 39.50 of the Revised Code of Washington ("RCW"), to borrow money and issue short term obligations, as set forth therein;

WHEREAS, pursuant to Ordinance No. _____ of the County passed by the County Council on December 11, 1995 (the "Ordinance"), the County has authorized the issuance of sewer revenue bonds of the County in an amount not to exceed \$100,000,000 and, in anticipation of the issuance of such bonds, has authorized the issuance of sewer revenue bond anticipation notes of the County in an amount not to exceed \$100,000,000 in a commercial paper series (the "Notes");

WHEREAS, to facilitate the issuance and sale of the Notes, the Ordinance also authorized the County to enter into this Agreement and to issue a revolving credit note in an amount not exceeding \$100,000,000 in aggregate principal amount in connection therewith; and

WHEREAS, the Bank has agreed, subject to satisfaction of the conditions stated herein, to advance funds for the account of the County to enable the Issuing and Paying Agent to pay the principal portion of the Notes at maturity.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used herein and not defined shall have the meaning assigned in the Ordinance. The following terms, as used herein, have the following meanings:

"Advance" or **"Advances"** means any advance or advances of funds by the Bank pursuant to Section 2.02 hereof.

"Available Commitment" means, at any date, the Commitment less the aggregate principal amount of the Loan outstanding on the date of calculation.

"Bank" means Bayerische Landesbank Girozentrale, acting through its New York Branch, and its successors and assigns.

"Bank Note" means the revolving credit note referred to in Section 2.03 hereof and issued pursuant to the provisions hereof and of the Ordinance.

"Banking Arrangements" means the agreements of the Bank and the County set forth in this Agreement and the transactions contemplated hereby, including, without limitation, (a) any commitment to extend credit or other credit or liquidity facility, to purchase any obligation of or for the benefit of the County, or to extend any other financial accommodation, (b) any issuance, extension or maintenance of any of the foregoing, and (c) any pledge, purchase or carrying of any obligation of or for the benefit of the County.

"Base Rate" means for any day the higher of (a) the base commercial lending rate most recently announced by the Bank, or (b) the rate quoted by the Bank, at approximately 11:00 a.m., New York City time on such day, or if not quoted on such day, the rate most recently quoted by the Bank, to dealers in the New York Federal Funds Market for the overnight offering of dollars by the Bank, for deposit, plus one-half of one percent (1/2%).

"Bond Counsel" means Preston Gates & Ellis, or another firm of nationally recognized bond counsel acceptable to the County and the Bank.

"Borrowing Rate" means (a) with respect to each Advance, the following fluctuating interest rates per annum, each computed on the basis of the actual number of days elapsed and a 365/366 day year, as applicable, for the following periods beginning with the date of such Advance and ending on the date they are due to be repaid in full plus interest at the rates set forth below:

<u>Period</u>	<u>Borrowing Rate</u>
Day 1 through day 30	Federal Funds Rate plus .25%
Day 30 through the day that is the third anniversary of the date on which such funds were advanced	Base Rate

and (b) with respect to any amounts which are not paid when due and payable hereunder, a fluctuating rate per annum equal to the Default Rate.

"Business Day" means any day (a) on which banks in the cities in which the principal offices of the Issuing and Paying Agent and the New York, New York office of the Bank are located are not authorized or required by law or executive order to remain closed, (b) on which the New York Stock Exchange is not closed and (c) which is not a legal holiday for the County.

"Closing Date" means the date this Agreement shall become effective as provided in Section 3.01 hereof.

"Commercial Paper Memorandum" means the Commercial Paper Memorandum dated December 1, 1995 used in connection with the sale of the Notes.

"Commitment" means One Hundred Million Dollars (\$100,000,000), as such amount may be reduced from time to time pursuant to Section 2.11 hereof.

"County" means King County, Washington.

"County Council" means the legislative authority of the County.

"Credit Period" means the period from the Closing Date to but not including the Termination Date.

"Dealer" means J.P. Morgan Securities Inc. or any successor dealer appointed with respect to the Notes pursuant to the Ordinance.

"Dealer Agreement" means the Dealer Agreement dated as of December __, 1995 between the Dealer and the County and any similar agreement between the County and any successor Dealer appointed pursuant to the Ordinance.

"Default" means any condition or event that constitutes an Event of Default or that with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means a per annum rate of interest equal to the Base Rate plus two percent (2%).

"Event of Default" means any of the events of default set forth in Article VI.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest one-hundredth (1/100th) of one percent (1%)), equal to the weighted average of the rates of overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers as published for such day (or if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three (3) federal funds brokers of recognized standing selected by the Bank.

"Fiscal Year" means the fiscal year of the County ending on December 31 of each calendar year.

"Issuing and Paying Agency Agreement" means the Issuing and Paying Agency Agreement dated as of December __, 1995 between the County and the Issuing and Paying Agent and any similar agreement between the County and any additional or successor Issuing and Paying Agent appointed pursuant to the Ordinance.

"Issuing and Paying Agent" means The Bank of New York in its capacity as issuing and paying agent under the Issuing and Paying Agency Agreement and any successor or additional issuing and paying agent for the Notes appointed by the County pursuant to the Ordinance of which the Bank shall have received notice from the County.

"Loan" means the aggregate outstanding principal amount of Advances made hereunder.

"Material Debt" means (i) the Parity Bonds, (ii) the Parity Lien Obligations, (iii) any Parity Payment Agreements, (iv) the SRF Loan, (v) any other publicly traded debt obligation of the County secured by a lien on Revenue which is equal or senior to the lien on Revenue securing the County's obligations with respect to the Notes and its obligation to repay Advances hereunder and (vi) any other publicly traded debt obligation of the County to which the County's full faith and credit is pledged and which is an aggregate amount of \$5,000,000 or more.

"Maturity Date" means, for each Advance, the date which is the third anniversary of such Advance.

"**No Issuance Notice**" means a written notice given by the Bank to the Issuing and Paying Agent, the Dealer and the County that an Event of Default has occurred and is continuing, which notice shall be in the form of Exhibit C-1 hereto.

"**Note Payment Account**" shall have the meaning assigned in the Issuing and Paying Agency Agreement.

"**Notes**" means the County's Sewer Revenue Bond Anticipation Notes, Commercial Paper Series A, authorized and issued pursuant to the Ordinance.

"**Ordinance**" means Ordinance No. _____ of the County, passed on December 11, 1995 by the County Council.

"**Parity Debt**" means any obligation of the County described in Section 12, Clause Twelfth of the Ordinance.

"**Parity Lien Obligation Ordinances**" means County Ordinance No. 11241, Ordinance No. 11763 and any ordinance of the County pursuant to which Parity Lien Obligations are issued or incurred.

"**Participant(s)**" means any bank(s) or other financial institution(s) which may purchase a participation interest from the Bank in this Agreement and certain of the Related Documents pursuant to a participation agreement between the Bank and the Participant(s).

"**Payment Date**" means the first Business Day of each January, April, July and October.

"**Person**" means any natural person, corporation, partnership, association, trust, joint venture, limited liability public body or other legal entity.

"**Prior Lien Bonds**" means all bonds, notes or other evidence of indebtedness described in Section 12, Clause Second, Third, Tenth and Eleventh of the Ordinance.

"**Prior Lien Obligation**" means any obligation of the County described in Section 12 of the Ordinance in clauses First through Eleventh.

"**Regulatory Change**" shall have the meaning assigned in Section 2.09.

"**Related Documents**" means the Ordinance, the Notes, the Dealer Agreement, the Bank Note, the Issuing and Paying Agency Agreement and any exhibits, instruments or agreements relating thereto.

"**Request for Advance**" shall have the meaning assigned in Section 2.02.

"**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 the Comprehensive Plan.

"**Termination Date**" means (a) December 19, 1998, as such date may be extended pursuant to Section 7.12 of this Agreement, or (b) such earlier date on which the Commitment is terminated in accordance with the terms hereof.

"Termination Notice" means a written notice from the Bank to the Issuing and Paying Agent, the Dealer and the County that an Event of Default under Section 6.01(a), (c), (f), (g), (h), (j) or (k) has occurred and, as a result thereof, the Commitment and the Bank's obligation to make Advances hereunder is terminated, which shall be in the form of Exhibit C-2 hereto.

"Unutilized Portion" means an amount equal to the Commitment less the sum of the principal amount of the Notes outstanding plus the principal amount of the Loan outstanding.

"Utilized Portion" means an amount equal to the principal amount of the Notes outstanding.

Section 1.02. Incorporation of Certain Definition by Reference. The following terms have the meanings assigned to them in the Ordinance as in effect on the date hereof:

Authorized Officer
 Bank Note Repayment Fund
 Business Day
 Comprehensive Plan
 County
 Metro
 Note Fund
 Operating and Maintenance Expenses
 Parity Bonds
 Parity Payment Agreement
 Parity Lien Obligation
 Parity Bond Ordinances
 Paying Agency Agreement
 Revenue
 Service Agreements
 SRF Loan

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, and except as otherwise expressly provided herein all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted hereunder. All references to Sections or Articles herein shall be references to the corresponding Sections or Articles of this Agreement unless otherwise indicated.

Section 1.05. Relation to Other Documents. Nothing in this Agreement shall be deemed to amend or relieve the County of any of its obligations under any Related Document.

ARTICLE II

ADVANCES AND PAYMENTS

Section 2.01. Commitment to Make Advances. During the Credit Period, the Bank agrees, on the terms and conditions set forth in this Agreement, to make Advances to the Issuing and Paying Agent for the account of the County from time to time in an amount not to exceed the Available Commitment for the purpose of providing funds to pay the principal amount of the Notes at maturity. Multiple Advances may be made under this Agreement and the Bank Note, so long as the aggregate principal balance of all Advances outstanding at any time does not exceed the Commitment less the principal amount of Notes outstanding at such time. Upon making any Advance hereunder the Available Commitment shall be reduced by an amount equal to such Advance. Upon the repayment of any Advance the Available Commitment shall be increased by an amount equal to the principal amount of the Advance repaid; provided, however, that the Available Commitment shall in no event be increased to an amount which exceeds the Commitment.

Section 2.02. Advances. Upon receipt by the Bank of a written request from the Issuing and Paying Agent in the form of Exhibit A-1 hereto (each a "Request for Advance") not later than 12:00 noon (local time in New York City) on any Business Day, the Bank shall, unless it determines that any of the conditions in Section 3.02 have not been satisfied, advance funds in the amount requested to the Issuing and Paying Agent and for the account of the County. If a Request for Advance is received by the Bank after 12:00 noon (local time in New York City) on a Business Day, such Request for Advance shall be deemed received on the next succeeding Business Day. The Bank shall make each Advance available in federal or other immediately available funds to the Issuing and Paying Agent not later than 3:00 p.m. (local time in New York City) on the date such Request for Advance is deemed to have been received by the Bank.

The amount of each Advance shall equal the principal amount of Notes maturing on the date such Advance is requested less the sum of the amount received from the sale of Notes on such date plus amounts, if any, provided by the County for the payment of the principal amount of Notes maturing on such date. The proceeds of each Advance shall be deposited by the Issuing and Paying Agent into the Note Payment Account and may only be used to pay the principal of maturing Notes. The portion of any Advance received by the Issuing and Paying Agent which is not used to pay the principal amount of maturing Notes on the date such Advance is received shall be repaid to the Bank by wire transfer in immediately available funds on such date pursuant to the Bank's wire transfer instructions set forth in Section 2.04(c).

Notwithstanding any provision hereof to the contrary, unless the Bank shall otherwise agree in writing, the Issuing and Paying Agent may not request any Advance hereunder, the proceeds of which will be used to pay the principal of any Note (a) which matures on or after the date the Issuing and Paying Agent receives a Termination Notice from the Bank, (b) which matures on or after the date on which an Event of Default described in Section 6.01 (g), (h), or (i) has occurred, (c) which is issued on or after the date on which the Issuing and Paying Agent has received a No Issuance Notice from the Bank or (d) which is owned by or held for the benefit of the County.

Section 2.03. Bank Note. The Loan made by the Bank hereunder shall be evidenced by a single Bank Note, in substantially the form of Exhibit B hereto, in a principal amount not to exceed \$100,000,000 and shall be payable to the Bank as provided in Section 2.04 hereof. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the

County hereunder and under the Bank Note and the amounts payable and paid from time to time hereunder or under the Bank Note. In any legal action or proceeding in respect of this Agreement or the Bank Note, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the Loan and the obligations of the County therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the County hereunder or under the Bank Note to repay all amounts owed hereunder and under the Bank Note, together with all interest accrued thereon as provided in this Article II.

Section 2.04. Payments, Security.

(a) The County agrees to pay, but solely from the Bank Note Repayment Fund, to the Bank the principal of each Advance in one or more, but not to exceed twelve (12), consecutive equal quarterly installments payable on each Payment Date, commencing with the first Payment Date to occur following such Advance provided that each Advance shall be fully repaid no later than its Maturity Date, which may be after the Termination Date. The Loan may be pre-paid without penalty at any time. The County shall cause amounts to be deposited into the Bank Note Repayment Fund in such amounts and at such times as is necessary for the timely payment of the County's obligations hereunder and under the Bank Note. Notwithstanding any of the foregoing, on the date that any Notes are issued and sold, the Loan shall be due and payable in an amount equal to the lesser of (i) the principal amount of such Notes and (ii) the outstanding principal amount of the Loan.

(b) Subject to the other provisions of this Section 2.04, each Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made until it is paid in full, at a per annum rate equal to the Borrowing Rate. Interest on each Advance shall be payable on each Payment Date, commencing with the first Payment Date to occur following such Advance.

(c) The County shall make each payment due hereunder or under the Bank Note in lawful currency of the United States not later than 2:30 p.m. (local time in New York City), on the day when due, in federal or other funds immediately available. Amounts received after 2:30, p.m. (local time in New York City) shall be deemed received on the next Business Day. Amounts payable to the Bank hereunder shall be transferred to the Bank's account No. 544-7-07960 at Chemical Bank, 270 Park Avenue, New York, NY 10017, ABA No.: 021000128, Reference King County, Washington, Commercial Paper Series A (or such other account of the Bank as the Bank may specify in written notice to the County and the Issuing and Paying Agent). Whenever any payment shall be due on any day that is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(d) The obligations of the County under the Bank Note and this Agreement shall be payable solely from the Bank Note Repayment Fund and secured solely as provided in the Ordinance, and shall not constitute a general obligation or pledge of the faith and credit of the County, or a debt or pledge of the faith and credit of the State of Washington or any other municipal corporation or political subdivision thereof.

Section 2.05. Default Rate. The County agrees to pay to the Bank interest on any and all amounts owed by the County under this Agreement and the Bank Note from and after the date on which

an Event of Default has occurred until payment thereof in full, at a fluctuating interest rate per annum equal to the Default Rate.

Section 2.06. Costs, Expenses and Taxes. The County agrees to pay (i) on the Closing Date, all costs and expenses in connection with the preparation, execution and delivery of this Agreement, the Related Documents and any other documents which may be delivered in connection with this Agreement and the Related Documents, including, without limitation, the fees (not to exceed \$25,000.00) and reasonable out-of-pocket expenses of counsel for the Bank with respect thereto and (ii) all costs and expenses, if any, including the reasonable fees and expenses of legal counsel, incurred by the Bank in connection with the enforcement of this Agreement. The expenses of the Bank incurred in connection with the preparation, execution and delivery of this Agreement and the Related Documents, other than fees of its counsel as specified above, for which the County shall be liable shall not exceed \$2,500. In addition, the County shall pay any and all stamp and other taxes and fees (if any) payable or determined to be payable under Washington law in connection with the execution, delivery, filing and recording (if any) of this Agreement, the Related Documents and such other documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 2.07. Drawing Fee. Upon each Advance hereunder, the County agrees to pay to the Bank a drawing fee of \$200, payable on the next succeeding Payment Date.

Section 2.08. Facility Fee. The County agrees to pay to the Bank a facility fee, which shall be fully earned when due and nonrefundable when paid, with the first such payment due on the first Payment Date following the Closing Date for the period from the Closing Date through the day preceding such Payment Date, and payable quarterly in arrears thereafter on each succeeding Payment Date and on the Termination Date, in an amount equal to .09% of the daily average Utilized Portion plus .05% of the daily average Unutilized Portion as each is calculated for each day during the period from either the Closing Date or the next preceding Payment Date, as applicable, to either the next succeeding Payment Date or the Termination Date, as applicable. Fees payable pursuant to this Section shall be computed on the basis of a year of 360 days and the actual number of days elapsed.

Section 2.09. Yield Equivalency. In the event that after the date of the execution hereof (a) the application, enactment or adoption of, or any change in, any law, rule, regulation, treaty, guideline or directive, or the occurrence of the effective date of any law, rule, regulation, treaty guideline or directive or any provision thereof enacted or adopted on the date of the execution hereof but which has not yet become effective, or the application, interpretation or enforcement of any of the foregoing by any court, central bank, administrative or governmental authority charged with the administration thereof (whether or not having the force of law) (each a "Regulatory Change") shall either (i) impose, modify or deem applicable any reserve, deposit, insurance premium, assessment, fee, capital requirement, tax (other than any tax on income), or similar requirement applicable to any of the Banking Arrangements or (ii) impose any other condition in connection with any of the Banking Arrangements, or (b) the Bank or any Participant shall, in good faith and upon the recommendation of any applicable regulatory authority, (i) voluntarily impose, modify or deem applicable to itself, any reserve, deposit, insurance premium, assessment, fee, capital requirement or similar requirement applicable to the Banking Arrangements or (ii) voluntarily impose any other condition in connection with any of the Banking Arrangements, designed to comply with or prepare for future compliance with any Regulatory Change, and the result of any of the foregoing shall be to increase the cost to the Bank or any Participant of extending, issuing or maintaining any of the Banking Arrangements or to reduce any amount (or the effective return on any amount) received or receivable by the Bank, or such Participant in connection with the Banking

Arrangements (which increase in cost or reduction in yield shall be the result of the Bank's and such Participant's reasonable allocation, in a nondiscriminatory manner among borrowers having obligations to the Bank or such Participant similar to those of the County, of the aggregate of such cost increases or yield reductions resulting from such event), then, upon written demand by the Bank, the County shall pay to the Bank, from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank and such Participant for all such increased costs or reductions in yield. The Bank shall submit to the County, at or prior to the making of each such demand, a certificate setting forth in reasonable detail such increased costs or yield reductions incurred by the Bank as a result of any of the foregoing. Notwithstanding the foregoing provisions of this Section, the County shall not be liable for the payment of any amounts described above in this Section which accrue prior to the date which is 60 days after the County's receipt of written notice from the Bank that the Bank or a Participant intends to require the payment by the County of amounts described above in this Section by reason of the occurrence of one or more events described above in this Section.

Section 2.10. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the County, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the County is required by law to withhold or deduct any sum from payments required under this Agreement, the County shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.11. Termination or Reduction of Commitment. The County may, from time to time, upon at least three (3) Business Days prior written notice to the Bank, reduce the Commitment to an amount which equals or exceeds the Utilized Portion. Upon any such reduction, the Commitment may not be increased. The County may at any time, upon at least three (3) Business Days' prior written notice to the Bank, terminate the Commitment entirely. Upon receipt by the Bank of such notice of reduction or termination, such notice shall be irrevocable and on and after the date of receipt of such notice the Commitment shall be reduced or terminated as provided in such notice.

Section 2.12. Prepayments. The County may prepay amounts owed hereunder and under the Bank Note in whole or in part at any time, by giving notice to the Bank by 1:30 p.m. (local time in New York City) on the date on which such prepayment is to be made. All payments shall be applied first to accrued but unpaid interest then to principal.

Section 2.13. Computation of Interest. Interest on the Bank Note and on amounts owing hereunder shall be computed on the basis of a year of 365/366 days and paid for the actual number of days elapsed. Any change in the Borrowing Rate shall become effective as of the opening of business on the day on which such change in the Borrowing Rate shall become effective. [During any time Advances are outstanding, the Bank shall promptly notify the County of the effective date and the amount of each such change in the Borrowing Rate; provided that any failure by the Bank to notify the County of a change in the Borrowing Rate shall not affect the rate of interest accruing on the Bank Note. CHECK WITH BANK'S BACK OFFICE]

ARTICLE III

CONDITIONS

Section 3.01. Conditions to Effectiveness. This Agreement shall become effective upon the date (the "Closing Date") on which the Bank shall have received all of the following:

(a) an executed counterpart of this Agreement, the Dealer Agreement and the Issuing and Paying Agency Agreement;

(b) the executed Bank Note;

(c) a copy of the Ordinance, including all supplemental ordinances or resolutions thereto that have been adopted as of such date, all certified by the County as being a true and correct copy and in full force and effect;

(d) a certificate of the County certifying the names and signatures of each Authorized Officer;

(e) an opinion of Bond Counsel, dated the Closing Date, substantially in the form of Exhibit D hereto;

(f) an opinion of the County Prosecutor, dated the Closing Date, substantially in the form of Exhibit E hereto;

(g) a certificate, dated the Closing Date, of an Authorized Officer to the effect that (i) each of the representations and warranties of the County contained in this Agreement and the Related Documents is true and correct on and as of such date of such certificate as though made on and as of such date and (ii) on such date no Default or Event of Default shall have occurred and be continuing;

(h) a copy of Resolution No. 6545 (the Series Z Resolution) adopted by Metro certified by the County as being a true and correct copy;

(i) a copy of the Parity Lien Obligation Ordinances certified by the County to be true and correct copies of such documents;

(j) a copy of the Service Agreements dated January 26, 1961 and July 21, 1966, respectively, between Metro and The City of Seattle, Washington and between Metro and the City of Bellevue, Washington, each certified by the County to be a true and correct copy;

(k) a copy of the ordinance or resolution, as the case may be, of the County Council assuming the rights, powers, functions and obligations of Metro as approved by special election held November 3, 1992, certified by the County to be true and correct copies of such documents and certified by the County that such ordinance or resolution was adopted in compliance with the provisions of Chapter 36.56 of the RCW with respect to publication, hearing and voting requirements;

(l) copies of the rating letters from Moody's Investors Service and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., rating the Notes;

(m) payment of all other amounts (including attorney's fees and expenses) payable on the Closing Date pursuant to this Agreement;

(n) a copy of the written investment policies of the County as set forth in _____, including all supplements or amendments thereto, all certified by the County as being a true and correct copy and in full force and effect; and

(o) such other documents as the Bank may reasonably request.

Section 3.02. Conditions to Funding Advances. The obligation of the Bank to pay Advances requested pursuant to Section 2.01 is subject to satisfaction of each of the following conditions:

(a) the Bank shall have received a properly completed Request for Advance from the Issuing and Paying Agent;

(b) the amount of the Advance requested together with the amount of any other Advance requested for such date shall not exceed the Available Commitment;

(c) the Issuing and Paying Agent shall certify that the proceeds of such Advance shall not be applied to make any payment with respect to a Note issued after receipt by the Issuing and Paying Agent of a No Issuance Notice from the Bank, except as provided in Section 6.02(c), which has not been subsequently rescinded by the Bank in a written notice delivered to the Issuing and Paying Agent; and

(d) no Event of Default specified in Section 6.01 (a), (c), (f), (g), (h), (i), (j) or (k) shall have occurred and with respect to Section 6.01 (a), (c), (f), (j) or (k), the Bank shall not have delivered the notice referred to in Section 6.02(b).

In order to determine whether or not the condition specified in 3.02(d) has been satisfied, the Bank may rely on a certificate of the County in the form of Exhibit A-2 hereto, properly completed, on the date for which the Advance in question is requested.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The County represents and warrants that:

Section 4.01. Existence and Power. The County is a duly organized and validly existing political subdivision of the State of Washington. The County has all power and authority to own and operate the System and to enter into and satisfy its obligations under this Agreement and the Related Documents.

Section 4.02. Noncontravention. The execution and delivery by the County of this Agreement and the Related Documents, and the performance of its obligations hereunder and thereunder, will not

conflict with or constitute a breach of or default under any provision, 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 provided in the Ordinance.

Section 4.03. Due Authorization. The execution, delivery and performance by the County of this Agreement and the Related Documents are within the power and authority of the County, and have been duly authorized by all necessary official action.

Section 4.04. Valid and Binding Obligations. This Agreement and the Related Documents constitute the legal, valid and binding obligations of the County.

Section 4.05. Commercial Paper Memorandum. The information contained in the Commercial Paper Memorandum which has been provided by the County is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The County makes no representation as to information in the Commercial Paper Memorandum relating to the Bank and provided by the Bank for inclusion therein.

Section 4.06. Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the County or the System and, to the best of the County's knowledge, there is no threatened action or proceeding affecting the County or the System before any court, governmental agency or arbitrator which, in any case, may materially and adversely affect the financial condition or operations of the System or the validity or enforceability of this Agreement or any of the Related Documents and which is not described in the Commercial Paper Memorandum.

Section 4.07. Insurance. The County currently maintains insurance which meets or exceeds the requirements of Section 5.06.

Section 4.08. Financial Statements. The balance sheets of the County and of the System as of December 31, 1994 and the related statements of revenues and expenses and changes in financial position for the years then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the County and of the System at such dates and for such periods, and were prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute). Since December 31, 1994, there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the System.

Section 4.09. Complete and Correct Information. All information, reports and other papers and data with respect to the County furnished to the Bank were, at the time the same were so furnished, complete and correct in all material respects. No fact is known to the County which materially and adversely affects the business, assets or liabilities, financial condition, results of operations, or business of the System which has not been set forth in the financial statements referred to in Section 4.08 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank. The

documents furnished or statements made by the County, taken as a whole, in connection with the negotiation, preparation or execution of this Agreement or any Related Document do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading.

Section 4.10. ERISA Compliance. The County does not and has not previously maintained any Plan, as defined under ERISA, that is not excluded from the coverage of Title I of ERISA and that is payable out of Revenue. The County does not have (a) any withdrawal liability in connection with an employee benefit plan maintained by the County which constitutes part of Operation and Maintenance Expenses; or (b) any accumulated funding deficiency with respect to any such employee benefit plan. The County currently has an unfunded obligation of \$_____ which, under current employee and County contribution rates, would be amortized over a _____ year period.

Section 4.11. Lien on Revenue. The obligation of the County to repay the Advances made hereunder is secured by a valid and enforceable lien on Revenue subject only to the prior lien on Revenue securing the Prior Lien Obligations.

Section 4.12. Acceleration. The County has not granted to the holder of any debt obligation of the County secured by a lien on Revenue which is equal or senior to the lien on Revenue which secures the obligations of the County with respect to the Notes and to repay Advances the remedy of acceleration following the occurrence of a default.

Section 4.13. No Default. To the best of the County's knowledge, no default has occurred and is continuing with respect to the Parity Bonds or the Parity Lien Obligation or under any Parity Payment Agreement.

Section 4.14. Outstanding Parity Bonds and Parity Lien Obligations. On the Closing Date, the outstanding principal amount of Parity Bonds and Parity Lien Obligations equalled \$1,084,474,000.

ARTICLE V

COVENANTS

So long as the Termination Date has not occurred or any amount is due or owing to the Bank under this Agreement or any Related Document, the County will comply with each of the covenants contained in this Article V unless the Bank shall otherwise consent in writing.

Section 5.01. Compliance With Laws and Regulations. The County shall comply with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to it or to the System, including, without limitation, all environmental laws and regulations which if not complied with could reasonably have a material adverse effect on the System or the ability of the County to perform its obligations hereunder or under the Related Documents.

Section 5.02. Reporting Requirements. The County shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the County in accordance with generally accepted accounting principles consistently applied, and will furnish to the Bank two (2) copies of each of the following:

(a) **Annual Financial Statements.** As soon as available, and in any event within 120 days after the close of each Fiscal Year of the County, the complete audited financial statements of the System including the balance sheet as of the end of such Fiscal Year and the related statements of revenues and expenses and changes in financial position for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year, all in reasonable detail, certified and prepared by Certified Public Accountants with experience in municipal utility accounting in accordance with generally accepted accounting principles, consistently applied; and which shall include the calculations necessary to demonstrate whether or not the County has complied with Sections 5.09, 5.10 and 5.11 and stating that in making the examination necessary to their audit they have obtained no knowledge, except as specifically stated, of any Event of Default.

(b) **Annual Financial Statements of the County.** As soon as available, the Comprehensive Annual Financial Report of the County audited by the State Auditor.

(c) **Quarterly Financial Information.** As soon as available, and in any event within 45 days after each of the first three quarters of each Fiscal Year, a budget status report of the System for the preceding quarterly period which shall include the calculation necessary to demonstrate whether or not the County is in compliance with Section 14 of the Ordinance.

(d) **Certificate of Compliance.** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by an Authorized Officer stating that (i) under his/her supervision the County has made a review of its activities during the preceding annual or quarterly period, as the case may be, for the purpose of determining whether or not the County has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents to which it is a party and (ii) to the best of his/her knowledge the County is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents to which it is a party hereof or thereof, or if the County shall be in default such certificate shall specify each such defaults, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(e) **Report of Debt.** A written report as to any Prior Lien Obligation or Parity Debt issued or incurred by the County promptly after such debt is incurred, setting forth the principal amount of the debt, the date or dates on which it is to be paid, the rate or rates of interest applicable thereto and the annual income available for debt service calculated in the manner provided in Section 14 of the Ordinance taking into account only such debt of the County which is secured by a lien on Revenue ranking equal or senior to the lien on Revenue securing the obligation being issued or incurred pursuant to this Agreement and the Bank Note.

(f) **Other Reports.** Promptly after the furnishing thereof, copies of any financial statement or report furnished to any other holder of the securities of the County pursuant to the terms of any ordinance, resolution, indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Bank pursuant to any other clause of this Section 5.02.

(g) **Financial Forecast.** On or prior to August 1 of each year, a copy of the financial forecast of the System utilized by the County for purposes of adopting the current rates of the System.

(h) **Budget.** An annual budget of the County for such upcoming Fiscal Year of anticipated rate structure, revenues, expenses and capital expenditures as soon as available.

(i) **Engineer's Report.** Not later than 120 days after the end of each calendar year, 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 County shall be obligated to provide the report described in this subparagraph only so long as such report is required under any resolution or ordinance pursuant to which any Prior Lien Obligation is issued or incurred.

(j) **Other Information.** Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the County as the Bank may from time to time reasonably request.

Section 5.03. Notices.

(a) **Notice of Default.** The County shall provide to the Bank immediate notice by telephone, promptly confirmed in writing, of the occurrence of any Default or Event of Default.

(b) **Litigation.** With the financial information described in Section 5.02(a), the County shall provide to the Bank written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Borrower which affects or involves the System and which involve claims equal to or in excess of \$5,000,000.

Section 5.04. Right of Entry. The County shall permit the duly authorized representatives of the Bank to meet the representatives of the County, to examine and copy the County's financial books, records and accounts relating to the System, and to discuss the affairs, finances, business and accounts of the System with the representatives of the County to monitor compliance with the provisions of this Agreement and the Related Documents.

Section 5.05. Performance and Compliance With Other Covenants. The County shall perform and comply with each of the covenants of the County set forth in the Related Documents.

Section 5.06. Insurance. The County will at all times carry fire and extended coverage and such other forms of insurance on such of the buildings, equipment, facilities and properties of the Sewer System as under good practice are ordinarily carried on such buildings, equipment, facilities and properties by municipal or privately owned utilities engaged in the operation of sewer systems and will also carry adequate public liability insurance at all times, provided that the County may, if deemed advisable by the County Council, institute or continue a self insurance program with respect to any or all of the aforementioned risks.

Section 5.07. Operation and Maintenance. 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 which 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. The System shall, at all times, maintain in good repair, working order and condition, the System and all additions thereto and extensions thereof and such System and the business in connection therewith will at all times be operated in an efficient manner and at a reasonable cost.

Section 5.08. ERISA Compliance. The County shall comply with all requirements of any employer benefit plan which constitutes part of Operating and Maintenance Expense.

Section 5.09. Debt. The County shall not incur or assume any debt of any kind secured by a lien on Revenue unless incurred or assumed in compliance with (a) the terms and conditions set forth on the Closing Date in the resolutions and ordinances of the County pursuant to which any of the Prior Lien Obligations were issued or incurred and (b) the Ordinance.

Section 5.10. Transfer of Assets. The County will not sell or voluntarily dispose of all of the operating properties of the System unless provision is made for payments into each bond fund established for each series of Prior Lien Bonds and into the Note Fund of a sum sufficient in the aggregate to pay the principal of and interest on all outstanding Prior Lien Bonds, the Loan and the Notes outstanding, 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 each bond fund established for each series of Prior Lien Bonds and into the Note Fund of an amount which will bear at least the same proportion to the amount of the outstanding Prior Lien Bonds, the Loan and the Notes outstanding 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 which would have been realized if such sale or disposition had not been made. Such estimate shall be made by an independent licensed professional engineer or firm of licensed professional engineers. Any money so paid shall be used to retire outstanding Prior Lien Bonds, the Loan and Notes outstanding as provided herein at the earliest possible date.

Section 5.11. Mortgages, Security Interests and Encumbrances. The County shall not mortgage, grant a deed of trust lien upon, pledge, grant a security interest in, make an assignment of or permit the creation of any encumbrance on the System or Revenue, or any part thereof, except as permitted under ordinances and resolutions of the County pursuant to which any of the Prior Lien Obligations or any Parity Debt is incurred or issued.

Section 5.12. Amendments. The County shall not amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents without the prior written consent of the Bank, which shall not be unreasonably withheld.

Section 5.13. Investments. When investing funds of the System, the County shall not deviate from the investment policies of the County as set forth in _____ as in effect from time to time and, following any change thereto, the County shall promptly provide the Bank a copy of such policies as changed.

Section 5.14. Covenant Regarding Acceleration. The County will not grant to any Person the right to accelerate the County's payment obligations with respect to any Prior Lien Obligation or Parity Debt.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01. Events of Default. The occurrence and continuance of any of the following shall constitute an "Event of Default" hereunder unless waived by the Bank in writing:

- (a) the County shall fail to pay when due the principal of or interest on any Advance;
- (b) the County shall fail to pay when due any amount owed hereunder other than as described in 6.01(a);
- (c) failure of the County to pay when due the interest on the Notes or to pay when due the principal of or interest on any Material Debt;
- (d) any representation or warranty made by the County herein, in any Related Document or in any certificate, financial or other statement furnished by the County pursuant to this Agreement or any of the Related Documents shall prove to have been untrue or incomplete in any material respect when made;
- (e) failure of the County to observe or perform any of the covenants, conditions or provisions of this Agreement, or any of the Related Documents, other than those referenced in Section 6.01(a), (b) or (c) above, and to remedy such failure within thirty (30) days following receipt by the County of written notice from the Bank of such failure;
- (f) entry or filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$5,000,000 against the County relating to the System and failure of the County to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of sixty (60) days or failure to pay or satisfy a final nonappealable judgment within sixty (60) days;
- (g) admission by the County of insolvency or bankruptcy or its inability or failure generally to pay its debts as they become due, or the County makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for the County, or for a major part of the System;
- (h) appointment of a trustee in bankruptcy, custodian or receiver for the County or all or part of its property and failure to obtain discharge of such within thirty (30) days after such appointment;
- (i) institution of bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, by or against the County (other than bankruptcy proceedings instituted by the County against third parties), and, if instituted against the County, allowance against the County or consent by the County to such proceedings or failure to obtain dismissal, stay or other nullification within thirty (30) days after such institution;

(j) this Agreement, the Ordinance, the Notes or the Bank Note ceases to be valid and binding on the County, as determined by any County, State or federal regulatory authority, executive officer or body or legislative body; or is declared null and void by a final nonappealable judgment; or the validity or enforceability thereof is contested by the County; or the County denies it has any or further liability under this Agreement, the Ordinance, the Notes or the Bank Note;

(k) the ratings assigned by Moody's Investors Service and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. to any publicly traded debt of the County secured by a lien on Revenue which ranks equal or senior to the liens on Revenue securing the Notes and the County's obligation to repay advances hereunder are reduced below "Baa" and "BBB-", respectively, or such ratings are withdrawn for credit considerations; and

(l) acceleration of any obligation of the County secured by Revenue and described in Section 12, clauses Second, Third, Eighth, Tenth, Eleventh and Twelfth of the Ordinance.

Section 6.02. Remedies. Upon the occurrence of an Event of Default under Section 6.01, the Bank may take one or more of the following actions:

(a) In the case of any Event of Default specified in clause (g), (h) or (i) of Section 6.01, the Commitment and the obligation to make Advances shall (unless such Event of Default is waived by the Bank in writing) immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to make Advances hereunder. Promptly following such Event of Default, the Bank shall give written notice of the same to the Issuing and Paying Agent, the Dealer and the County; provided, however, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Bank's Commitment and of its obligation to make advances pursuant to this Agreement.

(b) In the case of any Event of Default specified in clause (a), (c), (f), (j) or (k) of Section 6.01, the Commitment and the obligation of the Bank to make Advances pursuant to this Agreement shall immediately terminate upon the Bank's giving written notice of the same to the Dealer, the Issuing and Paying Agent and the County and thereafter the Bank shall be under no obligation to make Advances hereunder.

(c) In the case of any Event of Default, the Bank may give a No Issuance Notice to the Dealer, the Issuing and Paying Agent and the County. The Bank shall have no obligation to make Advances with respect to Notes issued after receipt by the Issuing and Paying Agent of such No Issuance Notice. Any No Issuance Notice received by the Issuing and Paying Agent after 11:30 a.m. (local time in New York City) shall be deemed received on the next Business Day.

(d) Upon the occurrence of any Event of Default, the Bank shall have the right to take any actions permitted by applicable law and the right to pursue all remedies (including, without limitation, specific performance or mandamus, provided at law or in equity).

(e) In the case of any Event of Default specified in clause (l) of Section 6.01, the Bank shall have the right to accelerate, without notice or demand, all amounts owed hereunder.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Notices. Except as otherwise provided herein, all notices, requests and other communications to any party hereunder shall be in writing and shall be given to such party at its address or facsimile number set forth below or such other address or facsimile number as such party may hereafter specify for the purpose of giving notice.

To the County: King County, Washington
M/S 72
821 Second Avenue
Seattle, WA 98104-1598
Attention: Nigel Lewis
Telephone: (206) 684-1020
Telecopy: (206) 684-2168

with a copy to:

King County, Washington
King County Administration Building
Room 611
500 Fourth Avenue
Seattle, WA 98104
Attention: D. Lee Dedrick
Telephone: (206) 296-7326
Telecopy: (206) 296-7345

To the Bank: Bayerische Landesbank Girozentrale
New York Branch
560 Lexington Avenue
New York, NY 10022
Attention: Mr. Scott M. Allison, Vice President and
Manager, Public Finance
Telephone: (212) 310-9868
Telecopy: (212) 310-9869

To the Dealer: J.P. Morgan & Co., Incorporated
60 Wall Street
New York, NY 10260-0060
Attention: Thomas F. Gallo, Vice President
Telephone: (212) 648-0913
Telecopy: (212) 648-5916

To the Issuing
and Paying Agent:

The Bank of New York
Floor 21 West
101 Barclay Street
New York, NY 10286
Attention: Peter H. Cunningham, Corporate Trust Department
Telephone: (212) 815-5091
Telecopy: (212) 815-5393

Each notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this section; provided that notices to the Bank under Article II hereof shall not be effective until received, and provided further that in the case of a request for an Advance pursuant to Section 2.02 hereof, notice may be transmitted to the Bank by facsimile or other electronic message and confirmed by written notice, the delivery of which shall not, however, affect the validity of such electronic notice, and any such notice shall be effective only when actually received.

Section 7.02. No Waivers. No failure or delay by the Bank in exercising any right, power or privilege hereunder or under the Bank Note or otherwise shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 7.03. Amendments or Modifications. Any provision of this Agreement or the Bank Note may be amended or modified if, but only if, such amendment or modification is in writing and is signed by the County, the Bank and the Issuing and Paying Agent.

Section 7.04. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized shall be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof.

Section 7.05. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 7.06. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 7.07. Obligations Absolute. The obligations of the County under this Agreement shall be absolute, unconditional and irrevocable, and shall not be subject to any right of setoff or counterclaim against the Bank or any Participant and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever.

Section 7.08. Continuing Obligation. This Agreement is a continuing obligation of the County and shall (a) be binding upon the County, its successors and assigns, and (b) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided that the County may not,

except as otherwise expressly provided herein, assign all or any part of this Agreement without the prior written consent of the Bank.

Section 7.09. Liability of the Bank. The County agrees that neither the Bank nor any of its officers or directors shall be liable or responsible for: (a) any acts or omissions of the Issuing and Paying Agent; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms of this Agreement, including failure of any documents to bear any reference or adequate reference to this Agreement; or (d) any other circumstances whatsoever in making or failing to make payment under this Agreement, except only that the County shall have a claim against the Bank, and the Bank shall be liable to the County, to the extent, but only to the extent, of any direct, as opposed to consequential or punitive, damages suffered by the County which the County proves were caused by (i) the Bank's willful misconduct or negligence in determining whether documents presented hereunder comply with the terms hereof or (ii) the Bank's willful failure to pay hereunder after the presentation to it by the Issuing and Paying Agent of a certificate strictly complying with the terms and conditions hereof; provided, however, that the maximum amount of damages recoverable by the County as provided above is expressly limited to the Commitment. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 7.10. Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the County hereby agrees, to the extent permitted by applicable law to indemnify and hold harmless the Bank and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including attorneys' fees) which the Bank may incur (or which may be claimed against the Bank by any person or entity whatsoever) by reason of or in connection with (a) any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the disclosure document relating to the Notes or the omission or alleged omission to state in such document of a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading (excluding any information regarding the Bank which was provided by the Bank for inclusion therein); (b) the execution and delivery of this Agreement and the Related Documents, or payment or failure to pay Advances; (c) the issuance and sale of the Notes; (d) the use of the proceeds of the Notes; or (e)(i) any condition of the System, including without limitation, any environmental condition, (ii) the construction, reconstruction, improvement, use, occupancy, conduct or management of or any work or anything whatsoever done or omitted to be done in or about the System or (iii) any accident, injury or damage whatsoever to any person occurring in or about the System; provided that the County shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (1) the willful misconduct or negligence of the Bank in determining whether a certificate presented requesting an Advance hereunder complied with the terms of the Agreement or (2) the Bank's willful failure to pay as requested hereunder in strict conformity with the terms hereof. If any proceeding shall be brought or threatened against the Bank by reason of or in connection with the events described above (and except as otherwise provided in (1) or (2) above), the Bank shall promptly notify the County in writing and the County shall assume the defense thereof, including the employment of counsel, which may include the Office of the County Prosecutor (to the extent competent to prosecute such matter), and the payment of all costs of litigation. Notwithstanding the preceding sentence, the Bank shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of the Bank unless (i) the employment of such counsel

shall have been authorized in writing by the County or (ii) the County, after due notice of the action, shall not have employed counsel to have charge of such defense, in either of which events the reasonable fees and expenses of counsel for the Bank shall be borne by the County. The County shall not be liable for any settlement of any such action effected without its consent. Nothing under this Section is intended to limit the County's payment obligations hereunder.

Section 7.11. Telecopied Documents. At the request of the County, this Agreement provides that requests for Advances thereunder may be presented to the Bank by, among other methods, telecopy. The County acknowledges and assumes all risks relating to the use of such telecopied demands for payment and agrees that its obligations under this Agreement and the Related Documents shall remain absolute, unconditional and irrevocable as provided in Section 7.07 above if the Bank honors such telecopied demands for payment.

Section 7.12. Extension. The Termination Date may be extended by the Bank upon the written request of the County given to the Bank at least 90 days prior to, but no earlier than the date 120 days prior to, the Termination Date. Within 45 days of receipt of a request for extension, the Bank shall, at its sole option, either notify the County that the Agreement will be extended to the new termination date set forth in such notice or notify the County that the Agreement will not be so extended.

Section 7.13. Right of Setoff. Upon the occurrence of an Event of Default, the Bank may, at any time and from time to time, without notice to the County or any other person (any such notice being expressly waived), setoff and appropriate and apply, against and on account of, any obligations and liabilities of the County to the Bank arising under or connected with this Agreement and the Related Documents, without regard to whether or not the Bank shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured, any and all deposits (general or special, including but not limited to indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other indebtedness at any time held or owing by the Bank to or for the credit or the account of the County.

Section 7.14. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF WASHINGTON AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES EXCEPT FOR THE OBLIGATIONS OF THE BANK UNDER ARTICLE II AND SECTION 7.16 WHICH SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

Section 7.15. Participations. The County acknowledges and agrees that the Bank may participate portions of its obligations hereunder and the obligations of the County and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions and waives any notice of such participations. The County further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the County waives any right of setoff it may at any time have against the Bank or any Participant with regard to the Participated Obligations.

Section 7.16. WAIVER OF JURY TRIAL. THE COUNTY AND THE BANK HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY FOR ANY TRIAL RESULTING EITHER DIRECTLY OR INDIRECTLY OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE RELATED DOCUMENTS. THE COUNTY AND THE BANK FURTHER AGREE THAT, IN THE EVENT OF LITIGATION, THEY

WILL NOT PERSONALLY OR THROUGH THEIR AGENTS OR ATTORNEYS SEEK TO REPUDIATE THE VALIDITY OF THIS SECTION, AND EACH ACKNOWLEDGES THAT THEY FREELY AND VOLUNTARILY ENTERED INTO THIS AGREEMENT TO WAIVE TRIAL BY JURY IN ORDER TO INDUCE THE OTHER TO ENTER INTO THIS AGREEMENT.

Section 7.17. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors, assigns and beneficiaries. Notwithstanding the foregoing, this Agreement, and the obligations arising out of this Agreement or any part hereof, shall not be sold, pledged, assigned or otherwise transferred by the Issuing and Paying Agent and any such attempted sale, pledge, assignment or transfer shall be void *ab initio*; provided, however, that any successor to the Issuing and Paying Agent appointed pursuant to the Ordinance and with the prior written approval of the Bank shall be considered a successor in interest to the Issuing and Paying Agent with respect to this Agreement and as such shall succeed to all rights, benefits, duties and obligations arising hereunder.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Line of Credit Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

KING COUNTY, WASHINGTON

By _____
County Executive

Attest _____
Clerk of the Council

[SEAL]

BAYERISCHE LANDESBANK GIROZENTRALE

By _____
Wilfried Freudenberger
Executive Vice President

By _____
Peter Obermann
Senior Vice President

THE BANK OF NEW YORK, As Issuing and
Paying Agent

By _____
Name _____
Title _____

FORM OF ADVANCE REQUEST

[Date]

Bayerische Landesbank Girozentrale
New York Branch
560 Lexington Avenue
New York, NY 10022
Attn: _____

Ladies and Gentlemen:

The undersigned, a duly authorized representative of The Bank of New York (the "Issuing and Paying Agent"), hereby certifies to Bayerische Landesbank Girozentrale, acting through its New York Branch (the "Bank"), with reference to that Line of Credit Agreement dated as of December 20, 1995 (the "Agreement"; any capitalized term used herein and not defined shall have its respective meaning set forth in the Agreement) among the Bank, the Issuing and Paying Agent and King County, Washington (the "County"), that:

(1) The Issuing and Paying Agent is the Issuing and Paying Agent under the Issuing and Paying Agency Agreement and the Agreement and is making this request for advance in accordance with the Issuing and Paying Agency Agreement and the Agreement to provide funds for the payment of the principal of the Notes at maturity on _____ (the "Payment Date").

(2) (a) The amount of principal due and payable on the Notes on the Payment Date equals _____ dollars; (b) the amount of money held by the Issuing and Paying Agent available for the payment of principal of the Notes on the Payment Date from the sale of Notes and otherwise provided by the County equals _____ dollars.

(3) Request is hereby made for Advance under the Agreement for _____ dollars, which amount does not exceed either (a) the amount set forth in paragraph (2)(a) less the amount in paragraph (2)(b), or (b) the Available Commitment.

(4) The Issuing and Paying Agent is in receipt of money from the County for the payment of interest on the Notes on the Payment Date in an amount sufficient to pay the interest due and payable on the Notes on the Payment Date.

(5) To the best of the Issuing and Paying Agent's knowledge, no Event of Default has occurred and is continuing under the Agreement.

(6) Payment of the Advance hereby requested is requested on or before 3:00 p.m. (New York City time) on the later of (a) the Payment Date (or if the Payment Date is not a Business Day, the next succeeding Business Day) and (b) the Business Day on which this request for

Advance is received or deemed to have been received by the Bank in accordance with Section 2.02 of the Agreement.

(7) Payment of the Advance hereby requested shall be made in accordance with the following payment instructions:

[INSERT WIRE TRANSFER INFORMATION]

IN WITNESS WHEREOF, the Issuing and Paying Agent has executed and delivered this Request for Advance as of the ___ day of _____, ____.

THE BANK OF NEW YORK, As
Issuing and Paying Agent

By _____
Name _____
Title _____

EXHIBIT A-2

FORM OF CERTIFICATE OF COUNTY
WITH RESPECT TO ADVANCE REQUEST

[Date]

Bayerische Landesbank Girozentrale
New York Branch
560 Lexington Avenue
New York, NY 10022
Attn: _____

Ladies and Gentlemen:

The undersigned, a duly authorized representative of King County, Washington (the "County"), hereby certifies to Bayerische Landesbank Girozentrale, acting through its New York Branch (the "Bank"), with reference to that certain Line of Credit Agreement dated as of December 20, 1995 (the "Agreement") (any capitalized terms used herein and not defined shall have its respective meaning as set forth in the Agreement) among the Bank, The Bank of New York (the "Issuing and Paying Agent") and the County that no Event of Default has occurred and is continuing as specified in clause (a), (c), (f), (g), (h), (i), (j) or (k) of Section 6.01 of the Agreement.

IN WITNESS WHEREOF, the County has executed and delivered this Certificate as of the _____ day of _____, _____.

KING COUNTY, WASHINGTON

By _____
Name _____
Title _____

EXHIBIT B

FORM OF BANK NOTE

THIS NOTE IS NON-NEGOTIABLE

December 20, 1995

Not to Exceed \$100,000,000
in Aggregate Principal Amount

For value received, KING COUNTY, WASHINGTON (the "County"), a political subdivision organized and existing under and by virtue of the laws of the State of Washington, promises to pay to BAYERISCHE LANDESBANK GIROZENTRALE, acting through its New York Branch (the "Bank") the aggregate unpaid principal amount of each Advance made by the Bank to The Bank of New York, as Issuing and Paying Agent, for the account of the County pursuant to the Line of Credit Agreement referred to below, in lawful money of the United States of America with interest thereon in federal or other immediately available funds at such times, in such manner and in such amounts as specified in such Credit Agreement.

This Bank Note is the Bank Note referenced in the Line of Credit Agreement dated as of December 20, 1995 (the "Credit Agreement") among the County, the Bank and The Bank of New York, as Issuing and Paying Agent.

This Bank Note may be prepaid at any time without premium or penalty. Time is of the essence for this Bank Note.

This Bank Note, including the interest hereon, is payable solely from a special fund of the County known as the Bank Note Repayment Fund and shall not constitute a general obligation or pledge of the faith and credit of the County, or a debt or a pledge of the faith and credit of the State of Washington or any other municipal corporation or political subdivision thereof. Neither the County nor the State of Washington or any other municipal corporation or political subdivision thereof shall be obligated to pay the principal of or interest on this Bank Note, except in the case of the County as set forth in the Credit Agreement and in the Ordinance, and neither the faith and credit nor the taxing power of the County, the State of Washington or any other municipal corporation or political subdivision thereof is pledged to the payment of the principal of or interest on this Bank Note. Reference is made to the Credit Agreement and the Ordinance for the provisions relating to the security of this Bank Note and the duties and obligations of the County.

120574

Made and executed on the day and year first above written.

KING COUNTY, WASHINGTON

By _____
County Executive

[SEAL]

Attest _____
Title _____

120574

EXHIBIT C-1

FORM OF NO-ISSUANCE NOTICE

[Date]

The Bank of New York
Corporate Trust Division
101 Barclay Street
New York, NY 10286
Attn: _____

Ladies and Gentlemen:

The undersigned, a duly authorized representative of Bayerische Landesbank Girozentrale, acting through its New York Branch (the "Bank"), hereby notifies you that pursuant to that certain Line of Credit Agreement dated as of December 20, 1995 (the "Agreement") (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement) among the Bank, The Bank of New York (the "Issuing and Paying Agent") and King County, Washington (the "County") that due to the occurrence and continuation of an Event of Default under the Agreement, the Bank instructs you, as the Issuing and Paying Agent, not to issue additional Notes. Any Notes issued after the date of your receipt of this notice will not be secured by the Agreement and no Advance may be requested under the Agreement to make payment on such Notes unless otherwise agreed by the Bank in a written notice delivered to you.

IN WITNESS WHEREOF, the Bank has executed and delivered this No-Issuance Notice as of the _____ day of _____, _____.

BAYERISCHE LANDESBANK
GIROZENTRALE, Acting through its
New York Branch

By _____
Name _____
Title _____

By _____
Name _____
Title _____

12057

EXHIBIT C-2

FORM TERMINATION NOTICE

[Date]

The Bank of New York
Corporate Trust Division
101 Barclay Street
New York, NY 10286
Attn: _____

Ladies and Gentlemen:

The undersigned, a duly authorized representative of Bayerische Landesbank Girozentrale, acting through its New York Branch (the "Bank"), hereby notifies you that pursuant to that certain Line of Credit Agreement dated as of December 20, 1995 (the "Agreement") (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement) among the Bank, The Bank of New York (the "Issuing and Paying Agent") and King County, Washington (the "County") that an Event of Default has occurred and is continuing as specified in clause (a), (c), (f), (g), (h), (i), (j) or (k) of Section 6.01 and, pursuant to clauses (a) and (b) of Section 6.02, the Bank has terminated its commitment under the Agreement. You may not request any Advances under the Agreement after your receipt of this notice.

IN WITNESS WHEREOF, the Bank has executed and delivered this Termination Notice as of the _____ day of _____, _____.

BAYERISCHE LANDESBANK
GIROZENTRALE, Acting through its
New York Branch

By _____
Name _____
Title _____

By _____
Name _____
Title _____

EXHIBIT D

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Preston Gates & Ellis]

December 20, 1995

Bayerische Landesbank Girozentrale
New York Branch
560 Lexington Avenue
New York, NY 10022

Re: King County, Washington, Bank Note

Ladies and Gentlemen:

We have acted as Bond Counsel to King County, Washington (the "County"), a municipal corporation duly organized and validly existing under the laws of the State of Washington, in connection with the authorization, execution and delivery by the County of the Line of Credit Agreement dated as of December 20, 1995 (the "Credit Agreement") between the County and Bayerische Landesbank Girozentrale, acting through its New York Branch (the "Bank"), providing for Advances by the Bank to the County from time to time up to but not exceeding in aggregate principal amount at any one time outstanding \$100,000,000, such Advances to be evidenced by a Bank Note of the County payable to the Bank. As such counsel, we have examined among other things: (i) the Constitution and laws of the State of Washington, (ii) originals or certified copies of the proceedings of the County relating to the authorization of the Related Documents, the Credit Agreement and the Bank Note, (iii) the executed Bank Note, (iv) the Issuing and Paying Agency Agreement dated as of December __, 1995 (the "Issuing and Paying Agency Agreement") between the County and The Bank of New York, and (v) a Tax and Arbitrage Certification of the County dated the date hereof. Defined terms used in the Credit Agreement are used herein as therein defined.

We have also examined such other documents and made such other examinations and such further investigation of law and facts, as we have deemed relevant to enable us to express the opinions hereinafter expressed.

Based upon the foregoing, we are of the opinion that:

1. The County is a political subdivision duly organized and validly existing under the Constitution and laws of the State of Washington, and is authorized (i) to make borrowings under the Credit Agreement for the purposes specified therein and to issue and deliver the Bank Note in respect thereof, and (ii) to pass the Ordinance and to enter into and perform its obligations under the Credit Agreement, the Bank Note and the Notes.

2. The Ordinance has been duly and lawfully passed by the County, is in full force and effect, is valid and binding upon the County and is enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally and to the application of equitable principles if equitable remedies are sought.

12057

3. The Credit Agreement has been duly authorized, executed and delivered by the County and, assuming due authorization, execution and delivery thereof by the Bank, is a valid and binding agreement of the County, enforceable in accordance with its terms, subject to the limitations set forth in paragraph 2.

4. The Bank Note has been legally issued and constitutes a valid special obligation of the County, both principal thereof and interest thereon being payable solely out of a special fund of the County known as the "Bank Note Redemption Fund," except to the extent that the enforcement of the rights and remedies of the holder of the Bank Note may be subject to the limitations set forth in paragraph 2.

Very truly yours,

12057

EXHIBIT E

FORM OF OPINION OF COUNTY PROSECUTOR

[Letterhead of County Prosecutor's Office]

December 20, 1995

Bayerische Landesbank Girozentrale
New York Branch
560 Lexington Avenue
New York, NY 10022

Re: King County, Washington, Bank Note

Dear Ladies and Gentlemen:

1. The execution, delivery and performance by the County of the Related Documents, the Credit Agreement, the Notes and the Bank Note, and the consummation of all transactions contemplated thereby are within the statutory authority of the County, have been duly authorized by all necessary action of the County, will not contravene, or result in the violation of or constitute a default under any provision of the Constitution of the State of Washington, applicable law or regulation, or any rule, order or regulation of any court, governmental agency or instrumentality or any other agreement, resolution or instrument to which, to the best of our knowledge after due inquiry, the County is a party or by which it or any of its property is bound.

2. No authorization, consent, approval, permit, license, exemption of or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality is or will be necessary for the valid execution, delivery and performance by the County of the Related Documents, the Credit Agreement, the Notes or the Bank Note.

3. There is, to the best of our knowledge, no action, suit or proceeding pending or threatened against or affecting the County, or relating to the Related Documents, or the Credit Agreement in any court or before or by any governmental department, agency or instrumentality (nor to the best of our knowledge is there any basis therefor) which, if adversely determined, might materially affect the ability or authority of the County to perform its obligations under the Credit Agreement or the Bank Note, or which in any manner questions the validity of the Related Documents or the Bank Note.

Very truly yours,

EXHIBIT E

Form of Authorization Letter

King County, Washington
Sewer Revenue Bond Anticipation Notes
Commercial Paper Series A

I the undersigned, _____ of King County, Washington, DO HEREBY CERTIFY that the persons whose names appear below opposite the titles of certain offices, which offices are the designated "Authorized Officers" under Ordinance No. _____ of the County authorizing the issuance and sale of the above-referenced obligations of the County, are the duly appointed and currently acting holders of such offices and the signatures appearing opposite their names and their true and genuine signatures.

Authorized Officers

Name

Office

Signature

Director of Finance

Senior Financial Analyst in the
Office of the Director of
Finance

Treasury Division Manager

Financial Division Manager

DATED this _____ day of _____, 1995.

Title: _____



**BOOK-ENTRY-ONLY MUNICIPAL COMMERCIAL PAPER — TECP
(MASTER NOTE) PROGRAM**

Letter of Representations

[To be Completed by Issuer, Issuing Agent, and Paying Agent]

[Name of Issuer]

[Name and DTC Participant Number of Issuing Agent]

[Name and DTC Participant Number of Paying Agent]

Date

Attention: General Counsel's Office
The Depository Trust Company
55 Water Street, 49th Floor
New York, NY 10041-0099

Re: _____

[Description of Program, including reference to the provision of the Securities Act of 1933, as amended,
pursuant to which Program is exempt from registration.]

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the issuance by Issuer from time to time of notes under its Municipal Commercial Paper — TECP program described above (the "Securities"). Issuing Agent will act as issuing agent with respect to the Securities. Paying Agent will act as paying agent with respect to the Securities.

Paying Agent has entered into a Money Market Instrument Certificate Agreement with The Depository Trust Company ("DTC") dated as of _____, 199____, pursuant to which Paying Agent will act as custodian of a Master Note Certificate evidencing the Securities, when issued. Paying Agent will amend Exhibit A to such Certificate Agreement to include the program described above, prior to issuance of the Securities.

To induce DTC to accept the Securities as eligible for deposit at DTC and to act in accordance with its Rules with respect to the Securities, Issuer, Issuing Agent, and Paying Agent make the following representations to DTC:

1. The Securities shall be evidenced by a Master Note Certificate in registered form registered in the name of DTC's nominee, Code & Co., and such Master Note Certificate shall represent 100% of the principal amount of the Securities. The Master Note Certificate shall include the substance of all material provisions set forth in the DTC model Municipal Commercial Paper — TECP Master Note, a copy of which previously has been furnished to Issuing Agent and Paying Agent, and may include additional provisions as long as they do not conflict with the material provisions set forth in the DTC model.

2. Issuer or Issuing Agent has obtained from the CUSIP Service Bureau a written list of approximately 900 nine-character numbers (the basic first six characters of which are the same and uniquely identify Issuer and the Securities to be issued under its Municipal Commercial Paper — TECP program described above). The CUSIP numbers on such list have been reserved for future assignment to issues of the Securities. At any time when fewer than 100 of the CUSIP numbers on such list remain unassigned, Issuer or Issuing Agent shall promptly obtain from the CUSIP Service Bureau an additional written list of approximately 900 such numbers.

3. When Securities are to be issued through DTC, Issuing Agent shall give notice to Paying Agent and issuance instructions to DTC in accordance with DTC's Procedures, including DTC's Issuing/Paying Agent General Operating Procedures (the "Procedures"), a copy of which previously has been furnished to Issuing Agent and Paying Agent. The giving of such issuance instructions, which include delivery instructions, to DTC shall constitute: (a) a representation that the Securities are issued in accordance with applicable law; and (b) a confirmation that the Master Note Certificate evidencing such Securities, in the form described in Paragraph 1, has been issued and authenticated.

4. If issuance of Securities through DTC is scheduled to take place one or more days after Issuing Agent has given issuance instructions to DTC, Issuing Agent may cancel such issuance by giving a cancellation instruction to DTC in accordance with the Procedures.

5. At any time that Paying Agent has Securities in its DTC accounts, it may request withdrawal of such Securities from DTC by giving a withdrawal instruction to DTC in accordance with the Procedures. Upon DTC's acceptance of such withdrawal instruction, Paying Agent shall reduce the principal amount of the Securities evidenced by the Master Note Certificate accordingly.

6. In the event of any solicitation of consents from or voting by holders of the Securities, Issuer, Issuing Agent, or Paying Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall, to the extent possible, send notice of such record date to DTC not less than 15 calendar days in advance of such record date.

7. Paying Agent may override DTC's determination of interest and principal payment dates, in accordance with the Procedures.

8. Notice regarding the amount of variable interest and principal payments on the Securities shall be given to DTC by Paying Agent in accordance with the Procedures.

9. All notices sent to DTC shall contain the CUSIP number of the Securities.

10. Paying Agent shall confirm with DTC daily by CUSIP number the face value of the Securities outstanding, and Paying Agent's corresponding interest and principal payment obligation, in accordance with the Procedures.

11. DTC may direct Issuer, Issuing Agent, or Paying Agent to use any other number or address as the number or address to which notices may be sent.

12. Payments on the Securities, including payments in currencies other than the U.S. Dollar, shall be made by Paying Agent in accordance with the Procedures.

13. In the event that Issuer determines that beneficial owners of Securities shall be able to obtain certificated Securities, Issuer or Paying Agent shall notify DTC of the availability of certificates. In such event, Issuer or Paying Agent shall issue, transfer, and exchange certificates in appropriate amounts, as required by DTC and others.

14. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Paying Agent (at which time DTC will confirm with Issuer or Paying Agent the aggregate amount of Securities outstanding by CUSIP number). Under such circumstances, at DTC's request Issuer and Paying Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Securities to any DTC Participant having Securities credited to its DTC accounts.

15. Issuer: (a) understands that DTC has no obligation to, and will not, communicate to its Participants or to any person having an interest in the Securities any information contained in the Master Note Certificate; and (b) acknowledges that neither DTC's Participants nor any person having an interest in the Securities shall be deemed to have notice of the provisions of the Master Note Certificate by virtue of submission of such Certificate to DTC.

16. Nothing herein shall be deemed to require Issuing Agent or Paying Agent to advance funds on behalf of Issuer.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

(Issuer)

By: _____
(Authorized Officer's Signature)

(Issuing Agent)

By: _____
(Authorized Officer's Signature)

(Paying Agent)

By: _____
(Authorized Officer's Signature)

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.