

PETE VON REICHBAUER

May 29, 1996

INTRODUCED BY: LARRY PHILLIPS

PROPOSED NO. 96-352

ORDINANCE NO. **12314**

AN ORDINANCE providing for the public sale and issuance of limited tax levy general obligation bonds (payable from sewer revenues) of the county in the aggregate principal amount of not to exceed \$560,000,000 for the purposes of refunding certain outstanding sewer revenue bonds of the county and financing the construction of portions of the sewer system of the county in conformance with the fourth stage of the comprehensive plan; providing for the date, form, terms, maturities, covenants and redemption provisions of said bonds; authorizing a plan of refunding and the appointment of one or more escrow agents to accomplish such plan of refunding; providing for the public sale of the bonds and the disposition of the proceeds of sale; establishing funds for the receipt and expenditure of bond proceeds and for the payment of the bonds; providing for the annual levy of taxes to pay the principal thereof and interest thereon; and pledging sewer revenues as additional security for the bonds.

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Attachments: Exhibit A - Form of Escrow Agreement

1 May 29, 1996

PROPOSED NO. 96-352

7 SUBSTITUTE ORDINANCE NO. _____

9 AN ORDINANCE providing for the public sale and issuance of
10 limited tax general obligation bonds (payable from sewer
11 revenues) of the county in the aggregate principal amount of not
12 to exceed \$560,000,000 for the purposes of refunding certain
13 outstanding sewer revenue bonds of the county and financing the
14 construction of portions of the sewer system of the county in
15 conformance with the fourth stage of the comprehensive plan;
16 providing for the form, terms, covenants and other provisions of
17 said bonds; authorizing a plan of refunding and the appointment
18 of one or more escrow agents to accomplish such plan of
19 refunding; providing for the public sale of the bonds in one or
20 more series and the disposition of the proceeds of sale;
21 establishing funds for the receipt and expenditure of bond
22 proceeds and for the payment of the bonds; providing for the
23 annual levy of taxes to pay the principal thereof and interest
24 thereon; and pledging sewer revenues as additional security for
25 the bonds.

27 PREAMBLE:

29 The Municipality of Metropolitan Seattle ("Metro") was created by public vote
30 in 1958 to exercise the powers conferred by Chapter 35.58 Revised Code of
31 Washington ("RCW") related to water pollution abatement. RCW 35.58.200
32 confers specific powers to prepare and implement a comprehensive water
33 pollution abatement plan including provisions for waterborne pollutant removal,
34 water quality improvement, sewage disposal and storm water drainage. In the
35 exercise of those powers, the metropolitan council adopted a comprehensive
36 water pollution abatement plan for the Seattle metropolitan area. This plan has
37 been implemented in stages and has included facilities for the conveyance and
38 treatment of sewage and control of combined sewer overflows that include, but
39 are not necessarily limited to, wastewater treatment plants, interceptor and
40 trunk sewers, pumping stations, regulator stations, outfall sewers, storm sewers
41 to divert stormwater from sanitary sewers, lands for application of biosolids,
42 property rights, buildings and other structures.

44 In order to acquire, construct, install, develop and operate the facilities required
45 to carry out this plan, Metro issued sewer revenue bonds from time to time as
46 funds were required. The issuance of Series A through Series Z of such bonds
47 was provided for by resolutions adopted by the metropolitan council pursuant to
48 the authority of four resolutions authorizing the first through fourth stage
49 developments of the comprehensive plan. Long term service agreements with
50 participating municipalities (the "Participants") obligate Metro, and now the
51 county as its successor, to treat and dispose of sewage collected by the
52 Participants. The Participants must pay the costs of such services including debt
53 service on sewer revenue bonds and other such indebtedness payable from and
54 secured by sewer revenues, including the bonds authorized herein.

56 The following series of sewer revenue bonds ("Parity Bonds") dated as of the
57 following dates were issued in the following original principal amounts and are
58 now outstanding in the following principal amounts:
59

| | <u>Series</u> | <u>Date of Issue</u> | <u>Original Principal Amount</u> | <u>Principal Amount Outstanding</u> |
|----|---------------|----------------------|----------------------------------|-------------------------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | Series A | July 1, 1961 | \$20,000,000 | \$9,765,000 |
| 5 | Series B | April 1, 1962 | 16,000,000 | 7,930,000 |
| 6 | Series C | January 1, 1963 | 15,000,000 | 6,720,000 |
| 7 | Series D | October 1, 1963 | 15,000,000 | 7,020,000 |
| 8 | Series E | April 1, 1964 | 15,000,000 | 8,465,000 |
| 9 | Series F | October 1, 1964 | 15,000,000 | 8,904,000 |
| 10 | Series G | April 1, 1965 | 15,000,000 | 8,770,000 |
| 11 | Series H | October 1, 1965 | 10,000,000 | 5,865,000 |
| 12 | Series I | October 1, 1966 | 15,000,000 | 12,295,000 |
| 13 | Series J | January 1, 1969 | 9,000,000 | 6,785,000 |
| 14 | Series K | January 1, 1971 | 20,000,000 | -0- |
| 15 | Series L | May 1, 1982 | 35,000,000 | -0- |
| 16 | Series M | February 1, 1983 | 44,000,000 | -0- |
| 17 | Series N | October 1, 1984 | 45,000,000 | -0- |
| 18 | Series O | September 1, 1985 | 35,000,000 | -0- |
| 19 | Series P | April 1, 1986 | 150,000,000 | 10,000,000 |
| 20 | Series Q | March 1, 1987 | 135,000,000 | 12,010,000 |
| 21 | Series R | September 1, 1988 | 48,000,000 | 4,575,000 |
| 22 | Series S | August 1, 1990 | 100,000,000 | 9,115,000 |
| 23 | Series T | May 1, 1991 | 100,000,000 | 20,900,000 |
| 24 | Series U | February 1, 1992 | 90,000,000 | 89,105,000 |
| 25 | Series V | August 1, 1992 | 119,580,000 | 119,580,000 |
| 26 | Series W | January 1, 1993 | 90,000,000 | 90,000,000 |
| 27 | Series X | March 1, 1993 | 136,305,000 | 134,350,000 |
| 28 | Series Y | April 1, 1993 | 122,455,000 | 120,545,000 |
| 29 | Series Z | July 1, 1993 | 127,100,000 | 123,720,000 |
| 30 | | | | |

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

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

| | <u>Series</u> | <u>Date of Issue</u> | <u>Original Principal Amount</u> | <u>Principal Amount Outstanding</u> |
|----|---------------|----------------------|----------------------------------|-------------------------------------|
| 43 | | | | |
| 44 | | | | |
| 45 | | | | |
| 46 | | | | |
| 47 | 1994A | April 1, 1994 | \$170,000,000 | \$166,900,000 |
| 48 | 1995 | May 1, 1995 | \$90,000,000 | \$89,800,000 |
| 49 | | | | |

The county may have opportunities to refund the callable portions of the 1994A Bonds, the 1995 Bonds and the following Parity Bonds: Series P, Series Q, Series R, Series S, Series T, Series U, and Series W (collectively, the "Refunded Bonds") and realize savings to the county and ratepayers of the Sewer System. RCW 39.52.010 authorizes the county to issue general obligation bonds to refund revenue bonds. It is deemed necessary and advisable that the county now issue and sell not to exceed \$510,000,000 principal amount of its limited tax general obligation bonds additionally secured by a pledge of revenues of the Sewer System to refund all or a portion of the Refunded Bonds, as provided herein (the "Refunding Bonds").

1 It is deemed necessary and desirable that the county also now sell and issue its
 2 limited tax levy general obligation bonds additionally secured by a pledge of
 3 revenues of the Sewer System in the aggregate principal amount of \$50,000,000
 4 (the "Project Bonds") to carry out portions of the fourth stage development of
 5 the comprehensive plan.

6
 7 By Resolution No. 5471 of the metropolitan council amended in its entirety by
 8 Resolution No. 5920, the issuance of sewer revenue bonds of Metro in the
 9 aggregate principal amount of \$777,000,000 was authorized to acquire,
 10 construct and install the fourth stage development of the comprehensive plan.
 11 The Project Bonds authorized to be issued by this ordinance are permitted
 12 within this authorization.

13
 14 Ordinance Nos. 11241 and 11763, which authorized the issuance of the 1994A
 15 Bonds, and the 1995 Bonds, respectively, provide that the county may issue
 16 additional limited tax general obligation bonds (payable from sewer revenues)
 17 on a parity with the 1994A Bonds and the 1995 Bonds if certain conditions are
 18 met. The county council has found and determined that such parity conditions
 19 have been met, and therefore the pledge of revenues of the Sewer System
 20 additionally to secure such bonds shall be on a parity with the pledge of such
 21 revenues additionally to secure the 1994A Bonds and the 1995 Bonds.

22
 23 To maximize the savings from refunding the Refunded Bonds, it is in the best
 24 interest of the county to delegate to the county finance director authority to sell
 25 the Refunding Bonds and the Project Bonds in one or more series and on one or
 26 more sale dates; provided, however, that the aggregate principal amount of the
 27 Project Bonds shall not exceed \$50,000,000 and the aggregate principal amount
 28 of the Refunding Bonds shall not exceed \$510,000,000. All such Bonds shall be
 29 sold by competitive bid and approved by the council, as provided herein.

30 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

31 SECTION 1. Definitions. The following words and terms as used in this ordinance
 32 shall have the following meanings for all purposes of this ordinance, unless some other meaning
 33 is plainly intended.

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

37 "Advance" or "Advances" have the meanings given such terms in the Line of Credit
 38 Agreement entered into by the county and Bayerische Landesbank Girozentrale securing
 39 payments of principal of the Notes.

40 "Arbitrage and Tax Certification" means the certificate executed by the finance director
 41 pertaining to the calculation and payment of any Rebate Amount with respect to the Bonds.

42 "Bank Note" means the bank note authorized to be issued by Ordinance No. 1207 of
 43 the county to secure payment of the Notes.

44 "Betterment Reserve" or "Betterment Reserve Account" means the Renewal, Extension
 45 and Betterment Reserve Account created in the Revenue Fund by Section 8 of Resolution
 46 No. 90 of Metro.

1 "Bond Fund" means the "Water Quality Limited Tax General Obligation Bond
2 Redemption Fund" established pursuant to Section 8 of Ordinance No. 11241 of the county.

3 "Bond Register" means the registration books maintained by the Bond Registrar for
4 purposes of identifying ownership of the Bonds.

5 "Bond Registrar" means the fiscal agency of the State of Washington in either Seattle,
6 Washington, or New York, New York, for the purposes of registering and authenticating the
7 Bonds, maintaining the Bond Register, effecting the transfer of ownership of the Bonds and
8 paying interest on and principal (and any premium pursuant to call on) of the Bonds.

9 "Bonds" means all or a portion of the King County, Washington, Limited Tax General
10 Obligation and Refunding Bonds (Payable from Sewer Revenues), issued in one or more series
11 pursuant to this ordinance.

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

15 "Closing" means the delivery of each series of the Bonds to, and payment of the
16 purchase price therefor by, the initial purchasers of said series of the Bonds.

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

21 "Commission" means the Securities and Exchange Commission.

22 "Comprehensive Plan" means the original comprehensive sewage disposal plan set forth
23 in Resolution No. 23 adopted by the Metro Council on April 22, 1959, subsequently
24 redesignated the "Comprehensive Water Pollution Abatement Plan" pursuant to Chapter 36,
25 Laws of 1975, as such original plan has been modified and supplemented by the following
26 resolutions of the Metro Council: Resolution No. 74 adopted February 16, 1961, Resolution
27 No. 152 adopted April 19, 1962, Resolution No. 261 adopted March 7, 1963, Resolution
28 No. 441 adopted August 20, 1964, Resolution No. 477 adopted November 19, 1964,
29 Resolution No. 795 adopted November 3, 1966, Resolution No. 928 adopted June 1, 1967,
30 Resolution No. 1011 adopted November 16, 1967, Resolution No. 1024 adopted December 7,
31 1967, Resolution No. 1052 adopted March 21, 1968, Resolution No. 1257 adopted July 3,
32 1969, Resolution No. 1330 adopted December 18, 1969, Resolution No. 1829 adopted
33 March 1, 1973, Resolution No. 2025 adopted February 21, 1974, Resolution No. 3135
34 adopted March 15, 1979, Resolution No. 3781 adopted November 5, 1981, Resolution
35 No. 4217 adopted December 15, 1983, Resolution No. 4339 adopted April 5, 1984,
36 Resolution No. 4780 adopted July 17, 1986, Resolution No. 5332 adopted May 19, 1988,

1 Resolution No. 5449 adopted July 21, 1988, Resolution No. 5902 adopted June 21, 1990,
2 Resolution No. 6107 adopted March 21, 1991, and Resolution No. 6378 adopted June 4, 1992
3 as the same may be amended or supplemented hereafter by ordinance of the county.

4 "Construction Fund" means the Second Water Quality Construction Fund established
5 pursuant to Section 13 of Ordinance No. 11241 of the county.

6 "Contingency Reserve" or "Contingency Reserve Account" means the Contingency
7 Reserve Account created in the Revenue Fund by Section 7 of Resolution No. 90 of the Metro
8 Council.

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

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

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

22 "Finance director" means the finance director of the county or her designee.

23 "Fourth Stage Project" means the ten-year fourth stage development of the
24 Comprehensive Plan authorized to be acquired, constructed and installed by Resolution
25 No. 5471 of the Metro Council adopted August 18, 1988, as amended in its entirety by
26 Resolution No. 5920 adopted June 21, 1990 as the same may be modified and supplemented
27 hereafter by the county.

28 "Government Obligations" means direct obligations of the United States of America or
29 obligations the principal and interest of which are guaranteed by the United States of America.

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

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

1 "MSRB" means the Municipal Securities Rulemaking Board of any successor to its
2 functions.

3 "1990 SRF Loan Agreement" means the Washington State Water Pollution Control
4 State Revolving Fund (SRF) Loan Agreement between the State of Washington Department of
5 Ecology and Metro dated December 26, 1990, as amended from time to time.

6 "1990 SRF Loan" means the State Revolving Fund loan to Metro by the State of
7 Washington Department of Ecology pursuant to the 1990 SRF Loan Agreement.

8 "1994A Bonds" means the county's Limited Tax General Obligation Bonds (Payable
9 from Sewer Revenues), 1994 Series A, issued under date of April 1, 1994, in the initial
10 principal amount of \$170,000,000 as authorized by Ordinance Nos. 112411 and 11252 of the
11 county.

12 "1995 Bonds" means the county's Limited Tax General Obligation Bonds (Payable from
13 Sewer Revenues), 1995, issued under date of May 1, 1995, in the initial principal amount of
14 \$90,000,000 authorized by Ordinance No. 11763 of the county.

15 "Notes" means the King County, Washington, Sewer Revenue Bond Anticipation
16 Notes, Commercial Paper Series A, authorized, issued, and outstanding from time to time
17 pursuant to Ordinance No. 12 of the county.

18 "NRMSIR" means a nationally recognized municipal securities information repository.

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

23 "Operating Reserve" or "Operating Reserve Account" means the Operating Reserve
24 Account created in the Revenue Fund by Section 6 of Resolution No. 90 of the Metro Council.

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

28 "Parity Bond Ordinances" means the resolutions of the Metro Council providing for the
29 issuance of the Series A through Series Z Bonds and any ordinances of the county hereafter
30 authorizing the issuance of additional Parity Bonds.

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

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

1 "Parity Lien Obligations" means the 1994A Bonds, the 1995 Bonds, the Bonds and all
2 bonds, notes or other evidences of indebtedness payable in whole or in part from Revenue of
3 the System and secured by a lien on such Revenue on a parity of lien with the lien of the
4 1994A Bonds, the 1995 Bonds and the Bonds. "Parity Lien Obligations" includes any Parity
5 Payment Agreements and parity reimbursement agreements entered into with the provider of a
6 Credit Facility.

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

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

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

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

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

28 "Project Bonds" means the \$50,000,000 principal amount of limited tax general
29 obligation bonds (additionally secured by Revenues of the System) authorized to be issued by
30 this ordinance to finance portions of the fourth stage development of the comprehensive plan.

31 "Qualified Counterparty" means with respect to a Payment Agreement an entity
32 (i) whose senior long term debt obligations, other senior unsecured long term obligations or
33 claims paying ability or whose payment obligations under a Payment Agreement are guaranteed
34 by an entity whose senior long term debt obligations, other senior unsecured long term
35 obligations or claims paying ability are rated (at the time the Payment Agreement is entered
36 into) at least as high as A3 by Moody's Investors Service and A- by Standard & Poor's Rating

1 Group, 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 "Rate Stabilization Fund" means the fund of that name authorized to be created
 4 pursuant to Section 13.D of this ordinance.

5 "RCW" means the Revised Code of Washington.

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

9 "Refunded Bond Ordinances" means any or all of the following: the Series J Bond
 10 Resolution, the Series P Bond Resolution, Series Q Bond Resolution, Series R Bond
 11 Resolution, the Series S Bond Resolution, Series T Bond Resolution, Series U Bond
 12 Resolution, the Series W Bond Resolution, Ordinance No. 11241 of the county and Ordinance
 13 No. 11763 of the county.

14 "Refunded Bonds" means any or all of the following Parity Bonds and Parity Lien
 15 Obligations, as shall be set forth in a Sale Motion in accordance with Section 26 hereof:

| | Potential Refunded Bond | Earliest Possible Date of Redemption |
|----------|---|---|
| 19 20 | Series J Bonds maturing on and after January 1, 1997 (the "Refunded Series J Bonds") | July 1, 1996 |
| 21 22 | Series P Bonds maturing on and after January 1, 1997 (the "Refunded Series P Bonds") | July 1, 1996 |
| 23 24 | Series Q Bonds maturing on and after January 1, 1997 (the "Refunded Series Q Bonds") | July 1, 1996 |
| 25 26 | Series R Bonds maturing on and after January 1, 1997 (the "Refunded Series R Bonds") | July 1, 1996 |
| 27 28 | Series S Bonds maturing on and after January 1, 1999 (the "Refunded Series S Bonds") | January 1, 1998 |
| 29 30 | Series T Bonds maturing on and after January 1, 2001 (the "Refunded Series T Bonds") | January 1, 2000 |
| 31 32 | Series U Bonds maturing on and after January 1, 2002 (the "Refunded Series U Bonds") | January 1, 2001 |
| 33 34 | Series W Bonds maturing on and after January 1, 2017 (the "Refunded Series W Bonds") | January 1, 2003 |
| 35 36 | 1994A Bonds maturing on and after January 1, 2005 (the "Refunded 1994A Bonds") | January 1, 2004 |
| 37 38 | 1995 Bonds maturing on and after January 1, 2006 (the "Refunded 1995 Bonds") | January 1, 2005 |

39 "Refunding Bonds" means the not to exceed \$510,000,000 of the limited tax general
 40 obligation bonds (additionally secured by Revenue of the System), authorized to be issued in
 41 one or more series by this ordinance to refund the Refunded Bonds.

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

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

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

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

12 "Sale Motion" means each motion of the council approving a bid for a series of the
13 Bonds, in accordance with Section 26 hereof, and ratifying and confirming the plan of
14 refunding the Refunded Bonds, if any, in accordance with Section 26 hereof.

15 "Series J Bond Resolution" means Resolution No. 1165 adopted by the Metro Council
16 on January 16, 1969, and Resolution No. 1193 adopted by the Metro Council on February 20,
17 1969.

18 "Series P Bond Resolution" means Resolution No. 4873 adopted by the Metro Council
19 on March 20, 1986, and Resolution No. 4887 adopted by the Metro Council on April 3, 1986.

20 "Series Q Bond Resolution" means Resolution No. 5096 adopted by the Metro Council
21 on February 19, 1987, and Resolution No. 5121 adopted by the Metro Council on March 19,
22 1987.

23 "Series R Bond Resolution" means Resolution No. 5472 adopted by the Metro Council
24 on August 18, 1988, and Resolution No. 5475 adopted by the Metro Council on September 15,
25 1988.

26 "Series S Bond Resolution" means Resolution No. 5921 adopted by the Metro Council
27 on June 21, 1990, and Resolution No. 5924 adopted by the Metro Council on August 16,
28 1990.

29 "Series T Bond Resolution" means Resolution No. 6103 adopted by the Metro Council
30 on March 21, 1991, and Resolution No. 6104 adopted by the Metro Council on May 2, 1991.

31 "Series U Bond Resolution" means Resolution No. 6283 adopted by the Metro Council
32 on December 19, 1991, and Resolution No. 6306 adopted by the Metro Council on February 6,
33 1992.

34 "Series W Bond Resolution" means Resolution No. 6491 adopted by the Metro Council
35 on December 17, 1992, and Resolution No. 6492 adopted by the Metro Council on January 21,
36 1993.

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

5 "SID" means a state information depository for the State of Washington (if one is
6 created).

7 "SRF Loan" means the 1990 SRF Loan and other loans, if any, made by the
8 Department of Ecology to Metro (now and hereinafter the "county") having a lien and charge
9 against Revenue of the System on a parity with the lien and charge of the 1990 SRF Loan.

10 "State" means the State of Washington.

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

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

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

27 SECTION 2. Findings.

28 A. The county may be able to realize significant debt service savings by refunding
29 the Refunded Bonds. Because market conditions may change, however, the council finds that
30 it is in the best interests of the county and ratepayers of the System that a final plan of
31 refunding be established by the finance director, in consultation with the county's financial
32 advisors, immediately preceding the public sale of each series of the Bonds, which plan of
33 refunding will be ratified and confirmed by the council in a Sale Motion.

34 B. In accordance with the provisions of Section 20 of Ordinance No. 11241 of the
35 county and Section 21 of Ordinance No. 11763 of the County, which permit the issuance of

1 additional Parity Lien Obligations upon compliance with the conditions set forth therein (the
2 "Parity Conditions"), the county council hereby finds and determines, as follows:

3 (i) The Project Bonds are issued for lawful purposes of the county related
4 to the System.

5 (ii) The Refunding Bonds are issued to refund prior to their maturity
6 outstanding bonds of the county payable from Revenue of the System.

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

10 C. Not more than 90 days prior to the date of delivery of any series of the Bonds
11 that includes the Project Bonds, the county will have on file a certificate from Brown &
12 Caldwell, licensed professional engineers experienced in the design, construction and operation
13 of municipal utilities of scope similar to the System, showing that in their professional opinion
14 the "annual income available for debt service on Parity Bonds and Parity Lien Obligations" for
15 each year during the life of such series of the Bonds, after deducting therefrom amounts
16 required to pay principal and interest due in such year on SRF Loans, shall be at least equal to
17 1.25 times the amount required in each such year to pay:

18 (i) The principal of such series of the Bonds and all outstanding Parity
19 Bonds, 1994A Bonds, 1995 Bonds, and any other Parity Lien Obligations (other than
20 amortization of principal of Term Bonds).

21 (ii) The interest on such series of the Bonds and all outstanding Parity
22 Bonds, 1994A Bonds, 1995 Bonds, and any other Parity Lien Obligations, exclusive of any
23 interest that shall be payable from the proceeds of the Parity Lien Obligations to be issued.

24 (iii) The amounts required to be paid into any fund or account to amortize
25 the principal of any of such series of the Bonds that are Term Bonds, all outstanding Parity
26 Term Bonds, all outstanding Parity Lien Obligations that are Term Bonds.

27 In such certificate, amounts required to be paid in respect of Parity Bonds and Parity
28 Lien Obligations are or will be calculated in accordance with the Parity Conditions.

29 D. If any of the Refunding Bonds are issued in a series separate from the Project
30 Bonds, a certificate of the finance director regarding debt service savings shall be filed with the
31 clerk of the council in accordance with the provisions of Section 20(B)(2) of Ordinance
32 No. 11241 of the county and Section 21(B)(2) of Ordinance No. 11763 of the county.

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

1 rank with the lien and charge upon the Revenue of the System to pay and secure the payment
2 of the 1994A Bonds.

3 SECTION 3. Authorization of Bonds.

4 A. Authorization and Description. To provide funds necessary to refund the
5 Refunded Bonds, the county shall issue the Refunding Bonds in an aggregate principal amount
6 to be established as provided in Section 26 hereof and in any event not to exceed
7 \$510,000,000. To provide part of the funds necessary to carry out the Fourth Stage Project,
8 the county shall issue and sell the Project Bonds in the aggregate principal amount of
9 \$50,000,000. The Refunding Bonds and the Project Bonds shall be issued and sold in one or
10 more series, each series to be designated as "King County, Washington Limited Tax General
11 Obligation and Refunding Bonds (Payable from Sewer Revenues)" with an applicable year and
12 series designation to be established as provided in Section 26 hereof. The Bonds shall be fully
13 registered as to both principal and interest, shall be in the denomination of \$5,000 each or any
14 integral multiple thereof (but no Bond shall represent more than one maturity), shall be
15 numbered separately in such manner and with any additional designation as the Bond Registrar
16 deems necessary for purposes of identification, and shall be dated as of such date and shall
17 mature on the dates, in the years and the amounts established as provided in Section 26 hereof.

18 Each series of the Bonds shall bear interest (computed on the basis of a 360-day year of
19 twelve 30-day months) from their date or from the most recent interest payment date for which
20 interest has been paid or duly provided for, whichever is later, payable on semiannual interest
21 payment dates to be established as provided in Section 26 hereof, at the rate or rates bid by the
22 successful bidder at public sale and accepted by motion of the county council (a "Sale
23 Motion"), as provided in Section 26 hereof.

24 The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-105.

25 B. Initial Immobilization of Bonds; Depository Provisions. The Bonds initially
26 shall be held in fully immobilized form by DTC acting as depository pursuant to the terms and
27 conditions set forth in the Blanket Issuer Letter of Representations heretofore executed on
28 behalf of the county. Neither the county nor the Bond Registrar shall have any responsibility or
29 obligation to DTC participants or the persons for whom they act as nominees with respect to
30 the Bonds with respect to the accuracy of any records maintained by DTC or any DTC
31 participant, the payment by DTC or any DTC participant of any amount in respect of principal
32 or redemption price or interest on the Bonds, any notice which is permitted or required to be
33 given to Registered Owners under this ordinance (except such notice as is required to be given
34 by the county to the Bond Registrar or to DTC), the selection by DTC or any DTC participant
35 of any person to receive payment in the event of a partial redemption of the Bonds or any
36 consent given or other action taken by DTC as owner of the Bonds.

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

10 (i) To any successor of DTC or its nominee, if that successor shall be
11 qualified under any applicable laws to provide the services proposed to be provided by it;

12 (ii) To any substitute depository appointed by the county pursuant to this
13 subsection or such substitute depository's successor; or

14 (iii) To any person as herein provided if the Bonds are no longer held in
15 immobilized form.

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

22 In the case of any transfer pursuant to clause (1) or (2) of the second paragraph of this
23 subsection, the Bond Registrar, upon receipt of all outstanding Bonds together with a written
24 request on behalf of the county, shall issue a single new Bond for each maturity of Bonds then
25 outstanding, registered in the name of such successor or such substitute depository, or their
26 nominees, as the case may be, all as specified in such written request of the county.

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

1 C. Place, Manner and Medium of Payment. Both principal of and interest on the
2 Bonds shall be payable in lawful money of the United States of America. For so long as
3 outstanding Bonds are registered in the name of CEDE & Co., or its registered assigns, as
4 nominee of DTC, payments of principal of and interest on the Bonds shall be made in same day
5 funds on the date such payment is due and payable at the place and in the manner provided in
6 the Letter of Representations.

7 In the event that Bonds are no longer held in fully immobilized form by DTC or its
8 successor (or substitute depository or its successor), interest on the Bonds shall be paid by
9 checks or drafts mailed, or by wire transfer, to owners of Bonds at the addresses for such
10 owners appearing on the Bond Register on the 15th day of the calendar month preceding the
11 interest payment date. Wire transfer will be made only if so requested in writing and if the
12 owner owns at least one million dollars (\$1,000,000) par value of the Bonds. Principal, and
13 premium, if any, of the Bonds shall be payable at maturity or on such dates as may be fixed for
14 prior redemption upon presentation and surrender of the Bonds by the owners at either
15 principal office of the Bond Registrar in Seattle, Washington, or New York, New York, at the
16 option of such owners.

17 SECTION 4. Redemption of Bonds. The county may reserve the right to redeem
18 outstanding Bonds prior to their maturity on the dates and at the prices established in the
19 Notice of Sale and ratified and confirmed by a Sale Motion in accordance with Section 26
20 hereof. Portions of the principal amount of any Bond, in increments of \$5,000 or any integral
21 multiple of \$5,000, may be redeemed.

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

27 If less than all of the principal amount of any Bond is redeemed, upon surrender of such
28 Bond at the principal office of the Bond Registrar there shall be issued to the registered owner,
29 without charge therefor, for the then unredeemed balance of the principal amount thereof, a
30 new Bond or Bonds, at the option of the registered owner, of like maturity and interest rate in
31 any denomination authorized by this ordinance.

32 SECTION 5. Notice and Effect of Redemption. Unless waived by the registered
33 owner of Bonds to be redeemed or the nominee of such owner, official notice of any such
34 redemption shall be given by the Bond Registrar on behalf of the county by mailing a copy of
35 an official redemption notice by certified or registered mail, postage prepaid, not less than 30
36 nor more than 60 days prior to the date fixed for redemption, to the registered owner of the

1 Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other
2 address as is furnished in writing by such registered owner to the Bond Registrar. The Bond
3 Registrar shall provide additional notice of redemption of the Bonds to each NRMSIR and
4 SID, if any, in accordance with the ongoing disclosure provisions to be adopted by motion of
5 the county council pursuant to Section 30 hereof.

6 All official notices of redemption shall be dated and shall state:

- 7 A. the redemption date;
- 8 B. the redemption price;
- 9 C. if less than all outstanding Bonds are to be redeemed, the identification (and, in
10 the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
- 11 D. that on the redemption date the redemption price will become due and payable
12 upon each such Bond or portion thereof called for redemption, and that interest thereon shall
13 cease to accrue from and after said date; and
- 14 E. the place where such Bonds are to be surrendered for payment of the
15 redemption price, which place of payment shall be either of the principal offices of the Bond
16 Registrar.

17 Such notice of redemption shall be mailed within the same period, postage prepaid, to
18 Moody's Investors Service, Inc. and Standard & Poor's Ratings Group at their offices in
19 New York, New York, or their successors, and to such other persons and with such additional
20 information as the finance director shall deem appropriate, but such mailings shall not be a
21 condition precedent to the redemption of the Bonds.

22 Prior to any redemption date, the county shall deposit with the Bond Registrar an
23 amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds
24 which are to be redeemed on that date.

25 Official notice of redemption having been given as aforesaid, the Bonds or portions of
26 Bonds so to be redeemed shall, on the redemption date, become due and payable at the
27 redemption price therein specified, and from and after such date (unless the county shall default
28 in the payment of the redemption price upon presentation) such Bonds or portions of Bonds
29 shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with
30 said notice, such Bonds shall be paid by the Bond Registrar at the redemption price.
31 Installments of interest due on or prior to the redemption date shall be payable as herein
32 provided for payment of interest. Upon the payment of the redemption price of Bonds being
33 redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP
34 number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such
35 check or other transfer. Upon surrender for any partial redemption of any Bond, there shall be

1 prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of
2 unpaid principal.

3 In addition to the foregoing notice, further notice shall be given by the Bond Registrar
4 as set out below, but no defect in said further notice nor any failure to give all or any portion of
5 such further notice shall in any manner defeat the effectiveness of a call for redemption if notice
6 thereof is given as above prescribed.

7 (i) Each further notice of redemption given hereunder shall contain the
8 information required above for an official notice of redemption plus: the CUSIP numbers of all
9 Bonds being redeemed; the date of issue of the Bonds as originally issued; the rate of interest
10 borne by each Bond being redeemed; the maturity date of each Bond being redeemed; and any
11 other descriptive information needed to identify accurately the Bonds being redeemed.

12 (ii) Each further notice of redemption shall be sent at least 35 days before
13 the redemption date by registered or certified mail or overnight delivery service to all registered
14 securities depositories then in the business of holding substantial amounts of obligations of
15 types comprising the Bonds (such depositories now being The Depository Trust Company of
16 New York, New York, Midwest Securities Trust Company of Chicago, Illinois and
17 Philadelphia Depository Trust Company of Philadelphia, Pennsylvania).

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

20 SECTION 6. Form of Bonds. The Bonds shall be in substantially the following form:

21 NO. _____ \$ _____

22 UNITED STATES OF AMERICA

23 STATE OF WASHINGTON

24 KING COUNTY

25 LIMITED TAX GENERAL OBLIGATION AND REFUNDING BOND
26 (PAYABLE FROM SEWER REVENUES), [applicable year] SERIES _____

27 INTEREST RATE: MATURITY DATE: CUSIP NO.:

28 Registered Owner:

29 Principal Amount:

30 KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe
31 and for value received promises to pay to the Registered Owner identified above, or registered
32 assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay
33 interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from
34 _____ 1, 1996, or the most recent date to which interest has been paid or duly provided
35 for until payment of this bond at the Interest Rate set forth above, payable on _____ 1,
36 _____, and semiannually thereafter on the first days of each succeeding _____ and
37 _____

1 Both principal of and interest on this bond are payable in lawful money of the United
 2 States of America. While bonds are held on immobilized "book entry" system of registration,
 3 the principal of this bond is payable to the order of the Registered Owner in next day funds
 4 received by the Registered Owner on the maturity date of this bond, and the interest on this
 5 bond is payable to the order of the Registered Owner in next day funds received by the
 6 Registered Owner on each interest payment date. When bonds are no longer held on an
 7 immobilized "book entry" registration system, the principal shall be paid to the Registered
 8 Owner or nominee of such owner upon presentation and surrender of this bond at either of the
 9 principal offices of the fiscal agency of the State of Washington in either Seattle, Washington
 10 or New York, New York (collectively the "Bond Registrar"), and the interest shall be paid by
 11 mailing a check or draft (on the date such interest is due) to the Registered Owner or nominee
 12 of such owner at the address shown on the registration books maintained by the Bond
 13 Registrar (the "Bond Register") as of the 15th day of the month prior to the interest payment
 14 date.

15
 16 If so requested in writing by the Registered Owner of at least \$1,000,000 par value of
 17 the bonds, interest will be paid by wire transfer.

18
 19 Reference is hereby made to additional provisions of this bond set forth below hereof
 20 and such additional provisions shall for all purposes have the same effect as if set forth in this
 21 space.

22
 23 This bond shall not be valid or become obligatory for any purpose or be entitled to any
 24 security or benefit under King County Ordinance No. _____ (the "Bond
 25 Ordinance") until the Certificate of Authentication hereon shall have been manually signed by
 26 the Bond Registrar.

27
 28 It is hereby certified that all acts, conditions and things required by the Constitution and
 29 statutes of the State of Washington and the Charter and ordinances of the County to exist, to
 30 have happened, been done and performed precedent to and in the issuance of this bond have
 31 happened, been done and performed and that the issuance of this bond and the bonds of this
 32 series does not violate any constitutional, statutory or other limitation upon the amount of
 33 bonded indebtedness that the County may incur.

34
 35 IN WITNESS WHEREOF, the County has caused this bond to be executed by the
 36 manual or facsimile signatures of the County Executive and to be attested by the Clerk of the
 37 County Council, and has caused the seal of the County to be impressed or imprinted hereon, as
 38 of this 1st day of _____, 199_.

39 KING COUNTY, WASHINGTON
 40
 41 By _____ /s/
 42 King County Executive

43
 44 ATTEST:
 45
 46 _____ /s/
 47 Clerk of the County Council

48
 49 ADDITIONAL PROVISIONS

50
 51 This bond is one of an authorized issue of bonds of like series, date and tenor, except as
 52 to number, amount, rate of interest and date of maturity, in the aggregate principal amount of
 53 \$560,000,000, and is issued to refund certain outstanding sewer revenue bonds of the County
 54 and to pay a portion of the costs to acquire, construct, and install the development of the
 55 Comprehensive Plan for the Sewer System of the County.

56
 57 The bonds of this issue are issued under and in accordance with the provisions of the
 58 Constitution and applicable statutes of the State of Washington, the County Charter and
 59 applicable ordinances duly adopted by the County. Capitalized terms not otherwise defined
 60 herein shall have the meanings given such terms in the Bond Ordinance.

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The County has reserved the right to redeem in whole or in part the bonds of this issue maturing on and after _____ 1, _____, at the following times and prices expressed as a percentage of the principal amount, in each case together with accrued interest, if any, to the redemption date.

| | |
|---------------------------|--------------------------|
| <u>Redemption Periods</u> | <u>Redemption Prices</u> |
|---------------------------|--------------------------|

[The bonds of this issue maturing on _____ 1, _____, are also subject to redemption prior to maturity through mandatory amortization payments on _____ 1 of the following years and in the following amounts in each case at a redemption price of 100% of the principal amount of bonds to be redeemed, plus accrued interest to the date of redemption.

| | |
|--------------|---------------|
| <u>Years</u> | <u>Amount</u> |
|--------------|---------------|

* Final Maturity]

Portions of the principal sum of this bond in installments of \$5,000 or any integral multiple thereof also may be redeemed in accordance with the provisions set forth above, and if less than all of the principal sum hereof is to be redeemed, upon the surrender of this bond at the principal offices of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum hereof, at the option of the owner, a bond or bonds of like series, maturity and interest rate in any of the denominations authorized by the Bond Ordinance.

Notice of redemption, unless waived, is given by the Bond Registrar by mailing an official redemption notice by certified or registered mail, postage prepaid, not less than 30 days and not more than 60 days prior to the date fixed for redemption, to the Registered Owner of any bond to be redeemed at the address appearing on the Bond Register. The requirements for such notice shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the owner of any bond.

If such notice has been given and if the County has set aside, on the date fixed for redemption, sufficient money for the payment of all bonds called for redemption, the bonds so called shall cease to accrue interest after such redemption date, and all such bonds shall no longer be deemed to be outstanding for any purpose, except that the Registered Owners thereof shall be entitled to receive payment of the redemption price and accrued interest to the redemption date from the money set aside for such purpose.

The County has further irrevocably covenanted and agreed with the owner of this bond that it will annually include in its budget and levy taxes, within and as a part of the tax levy permitted to counties without a vote of the electorate, upon all the property subject to taxation, in an amount sufficient, together with all other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the County are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The County has further covenanted and pledged to set aside out of earnings and revenues of its Sewer System and to pay into the Bond Fund for the bonds of this issue amounts sufficient to pay when due the principal of and interest on this bond. The pledge of revenues of the Sewer System constitutes a lien and charge on such revenues subject to prior application for expenses of maintenance and operation of the Sewer System and subordinate to the lien and charge securing payment of the Parity Bonds and to the lien and charge securing the SRF Loan, equal to the lien and charge securing the 1994A Bonds, the 1995 Bonds and any

1 additional Parity Lien Obligations hereafter issued, and superior to any other changes
2 whatsoever. The County has reserved the right to issue additional Parity Lien Obligations on
3 the terms and conditions set forth in the Bond Ordinance.
4

5 The County has further pledged that it will cause the Sewer System to be maintained in
6 good condition and repair and to be operated in an efficient manner and at a reasonable cost.
7 The County has further pledged that it will at all times establish, maintain and collect adequate
8 rates and charges for sewage disposal service as provided in the Bond Ordinance. Reference to
9 the Bond Ordinance is made for a description of the nature and extent of the security for the
10 bonds of this issue, the funds or revenues pledged, and the terms and conditions upon which
11 such bonds are issued.
12

13 The pledge of tax levies and of revenues for repayment of principal of and interest on
14 the bonds of this issue may be discharged prior to maturity of the bonds by making provisions
15 for the payment thereof on the terms and conditions set forth in the Bond Ordinance.
16

17 The following abbreviations, when used in the inscription on the face of the within
18 bond, shall be construed as though they were written out in full according to applicable laws or
19 regulations.
20

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

24
25 UNIF GIFT (TRANSFERS) MIN ACT - _____ Custodian _____
26 (Cust) (Minor)

27
28 under Uniform Gifts (Transfers) to Minors Act
29

30
31 _____
32 (State)
33

34 Additional abbreviations may also be used though not listed above.
35

36 The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially
37 the following form:
38

39 CERTIFICATE OF AUTHENTICATION
40

41 This bond is one of the bonds described in the within mentioned Bond Ordinance and is
42 one of the Limited Tax General Obligation and Refunding Bonds (Payable from Sewer
43 Revenues), [applicable year] Series _____, of King County, Washington dated _____ 1,
44 199_.

45
46 WASHINGTON STATE FISCAL
47 AGENCY, as Bond Registrar
48

49
50 By _____
51 Authorized Officer
52

12314

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

[Empty box for Social Security or Taxpayer Identification Number]

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

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

DATED: _____, 19__.

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

SIGNATURE GUARANTEED:

SECTION 7. Execution of Bonds. The Bonds shall be executed on behalf of the county with the manual or facsimile signatures of the county executive and the clerk of the county council, and shall have the seal of the county impressed or imprinted thereon.

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

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

1 SECTION 8. Bond Registrar. The county hereby adopts the system of registration
2 specified and approved by the Washington State Finance Commission. The Bond Registrar
3 shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the
4 registration and transfer of the Bonds which shall at all times be open to inspection by the
5 county. Such Bond Register shall contain the name and mailing address of the owner of each
6 Bond or nominee of such owner and the principal amount and number of Bonds held by each
7 owner or nominee. The Bond Registrar is authorized, on behalf of the county, to authenticate
8 and deliver the Bonds transferred or exchanged in accordance with the provisions of such
9 Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under
10 this ordinance.

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

17 Upon surrender thereof to the Bond Registrar, the Bonds are interchangeable for Bonds
18 in any authorized denomination of an equal aggregate principal amount and of the same interest
19 rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon
20 and surrendered to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel
21 the surrendered Bond and shall authenticate and deliver, without charge to the owner or
22 transferee therefor, (other than taxes, if any, payable on account of such transfer) a new Bond
23 (or Bonds, at the option of the new Registered Owner) of the same maturity and interest rate
24 and for the same aggregate principal amount, in any authorized denomination, naming as
25 Registered Owner the person or persons listed as the assignee on the assignment form
26 appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. The
27 Bond Registrar shall not be obligated to transfer or exchange any Bond during a period
28 beginning at the opening of business on the 15th day of the month next preceding any interest
29 payment or principal payment date and ending at the close of business on such payment date.

30 The county and the Bond Registrar, each in its discretion, may deem and treat the
31 registered owner of each Bond as the absolute owner thereof for all purposes, and neither the
32 county nor the Bond Registrar shall be affected by any notice to the contrary.

33 SECTION 9. Mutilated, Lost, or Destroyed Bonds. If any Bond shall become
34 mutilated, the Bond Registrar shall authenticate and deliver a new Bond of like series, amount,
35 date, interest rate and tenor in exchange and substitution for the Bond so mutilated, upon the
36 owner's paying the expenses and charges of the county and the Bond Registrar in connection

1 therewith and upon surrender to the Bond Registrar of the Bond so mutilated. Every mutilated
2 Bond so surrendered shall be canceled and destroyed by the Bond Registrar.

3 In case the Bonds or any of them shall be lost, stolen or destroyed, the Bond Registrar
4 may authenticate and deliver a new Bond or Bonds of like amount, date, and tenor to the
5 registered owner thereof upon the owner's paying the expenses and charges of the county and
6 the Bond Registrar in connection therewith and upon his/her filing with the Bond Registrar
7 evidence satisfactory to the Bond Registrar that such Bond or Bonds were actually lost, stolen
8 or destroyed and of his/her ownership thereof, and upon furnishing the county and Bond
9 Registrar with indemnity satisfactory to the finance director and the Bond Registrar.

10 SECTION 10. Bond Fund. There has heretofore been created a special fund of the
11 county known as the "Water Quality Limited Tax General Obligation Bond Redemption Fund"
12 (the "Bond Fund"). The Bond Fund is at all times completely segregated and set apart from all
13 other funds and accounts of the county and is a trust fund for the security and payment of the
14 principal of and interest and any premium on the 1994A Bonds, the 1995 Bonds, the Bonds
15 and other Parity Lien Obligations that are also limited tax general obligations of the county (as
16 used in this section, "General and Parity Lien Obligations"). All money credited to the Bond
17 Fund is pledged and ordered to be used for the sole purpose of paying the principal of and
18 interest and any premium on the 1994A Bonds, the 1995 Bonds, the Bonds and other General
19 and Parity Lien Obligations.

20 A. Debt Service Account. A "Debt Service Account" has heretofore been
21 established in the Bond Fund. The county hereby obligates and binds itself to cause to be set
22 aside and paid into said Account out of the Revenue of the System amounts sufficient, together
23 with accrued interest received at the time of delivery of the Bonds or additional General and
24 Parity Lien Obligations and deposited therein, income from the investment of money in the
25 Debt Service Account and any other money on deposit in the Debt Service Account and legally
26 available, to pay the principal of and interest on outstanding Bonds and additional General and
27 Parity Lien Obligations as the same respectively become due and payable.

28 For each series of the Bonds, there is hereby authorized to be created a special
29 subaccount in the Debt Service Account. All money required by this Section 10.A of this
30 ordinance to be deposited into the Debt Service Account for the payment of principal and
31 interest on such series of the Bonds shall be deposited into the debt service subaccount created
32 for such series. Money in such subaccount shall be treated in all respects as all other money in
33 the Debt Service Account but shall be accounted for separately for the purpose of calculating
34 amounts required to be paid to the federal government pursuant to Section 22 of this
35 ordinance.

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

4 B. Term Bond Payment Subaccount. A "Term Bond Payment Account" has
5 heretofore been established in the Bond Fund. The county shall deposit to the Term Bond
6 Payment Account, on or before the first day of January of each year, out of the Revenue of the
7 System, additional money which together with available income from the investment of money
8 in the Term Bond Payment Account will be sufficient to retire by purchase or by redemption
9 pursuant to call any Bonds or additional General and Parity Lien Obligations that are Term
10 Bonds on or before such payment dates and in at least such principal amounts as shall be set
11 forth in the ordinance authorizing, or the bid form or purchase contract for, such bonds. The
12 schedule of payment dates and principal amounts of any Bonds that are Term Bonds shall be
13 fixed in the manner and subject to the limitations set forth in Section 3 of this ordinance and in
14 the Official Notice of Bond Sale. The amounts so paid into the Term Bond Payment Account
15 shall be used for the sole purpose of purchasing or redeeming any Bonds or additional General
16 and Parity Lien Obligations that are Term Bonds on or before their respective scheduled
17 payment dates, provided that, if more than the required principal amount of such Term Bonds
18 shall be retired by such purchase or redemption in any given year, the amount required to be
19 purchased or redeemed in the next succeeding year or years may be reduced accordingly.

20 For each series of the Bonds, there is hereby authorized to be created a special
21 subaccount within the Term Bond Payment Account, if the original purchaser of such series of
22 the Bonds designates any Bonds of such series as Term Bonds pursuant to Section 3 hereof
23 and the Official Notice of Bond Sale. All money required by this Section 10.B of this
24 ordinance to be deposited into the Term Bond Payment Account for the purchase or
25 redemption of Bonds that are Term Bonds shall be deposited into the applicable subaccount
26 within the Term Bond Payment Account. Money in any such subaccount shall be treated in all
27 respects as all other money in the Term Bond Payment Account but shall be accounted for
28 separately for the purpose of calculating amounts required to be paid to the federal government
29 pursuant to Section 22 of this ordinance.

30 SECTION 11. Pledge of Taxation and Credit. The county hereby irrevocably
31 covenants and agrees for as long as any of the Bonds are outstanding and unpaid, that each
32 year it will include in its budget and levy an *ad valorem* tax upon all the property within the
33 county subject to taxation in an amount that will be sufficient, together with all other revenues
34 and money of the county legally available for such purposes, to pay the principal of and interest
35 on the Bonds as the same shall become due. All of such taxes so collected shall be paid into

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

3 The county hereby irrevocably pledges that the annual tax provided for herein to be
4 levied for the payment of such principal and interest shall be within and as a part of the tax levy
5 permitted to counties without a vote of the people, and that a sufficient portion of each annual
6 levy to be levied and collected by the county prior to the full payment of the principal of and
7 interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for
8 the payment of the principal of and interest on the Bonds.

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

12 SECTION 12. Pledge of Sewer Revenues. The amounts covenanted to be paid out of
13 the Revenue of the System into the Bond Fund shall constitute a lien and charge on such
14 Revenue subject to normal expenses of maintenance and operation of the System and any other
15 necessary expenses of maintenance and operation of the System for which reserves or other
16 money are not available, and junior, subordinate and inferior to the lien and charge on such
17 Revenue for the payments required by the Parity Bond Ordinances to be made into the Parity
18 Bond Fund and the accounts therein and into the Operating Reserve Account, Contingency
19 Reserve Account, and Betterment Reserve Account in the Revenue Fund, junior, subordinate
20 and inferior to the lien and charge on such Revenue for the payments required by the 1990 SRF
21 Loan Agreement, and equal to the lien and charge on such Revenue of the payments required
22 to be made by the ordinances authorizing the issuance of the 1994A Bonds, the 1995 Bonds
23 and any additional Parity Lien Obligations, and superior to all other liens and charges on such
24 Revenue whatsoever.

25 SECTION 13. Revenue Fund. A special fund of Metro has heretofore been established
26 known as the "Municipality of Metropolitan Seattle Sewer Revenue Fund." Such fund has
27 been redesignated and continued by the county as the Water Quality Operating Fund and is
28 herein referred to as the "Revenue Fund." All of the Revenue of the System shall be deposited
29 in the Revenue Fund. All costs of maintaining and operating the System borne by the county
30 shall be paid out of the Revenue Fund or appropriate reserves therein.

31 A. Operating Reserve Account. There has heretofore been created in the Revenue
32 Fund an "Operating Reserve Account," and approximately \$2,655,679 was on deposit therein
33 as of December 31, 1995. The money in the Operating Reserve Account may be used to pay
34 necessary expenses of maintenance and operation of the System in the event that Revenue of
35 the System should at any time be inadequate to pay such expenses. If the balance in this
36 account shall at any time hereafter be reduced below an amount that is the greater of either

1 \$300,000 or five percent of the total cost of operating and maintaining the System borne by the
2 county in the immediately preceding calendar year, the county shall deposit to the credit thereof
3 such sums as may be necessary to restore such amount therein within six months. Such
4 deposits shall be made from Revenue of the System first available therefor after payments of
5 Operating and Maintenance Expenses and required payments into the Parity Bond Fund and the
6 Parity Bond Reserve have been made.

7 B. Contingency Reserve Account. A Contingency Reserve Account has heretofore
8 been created in the Revenue Fund, and approximately \$2,000,000 was on deposit in the
9 account as of December 31, 1995. The money in the Contingency Reserve may from time to
10 time be used for the payment of major repairs, renewals, replacements and maintenance
11 expenses of a type not regularly recurring, and unforeseen capital improvements required by
12 regulatory authority. If the balance in the Contingency Reserve shall at any time be reduced
13 below the amount required by this resolution to be maintained therein, the county shall deposit
14 therein from the Revenue of the System such sums, not exceeding \$500,000 per year, as may
15 be required to establish and maintain such minimum required balance. The minimum balance
16 required to be maintained in said account shall be \$2,000,000.

17 C. Renewal, Extension and Betterment Reserve Account. There has heretofore
18 been created in the Revenue Fund a Renewal, Extension and Betterment Reserve Account, and
19 approximately \$6,995,246 was on deposit therein as of December 31, 1995. On or before
20 January 1 of each year there shall be deposited in said account at least \$750,000; provided that
21 if money is deposited in the Contingency Reserve in any such year, the deposits to the
22 Betterment Reserve in such year may be reduced by such amount. Deposits to the Betterment
23 Reserve shall continue to be made until the Bonds and all outstanding Parity Bonds shall have
24 been paid or until the Comprehensive Plan shall have been completed, whichever shall first
25 occur. The money in the Betterment Reserve may be used from time to time for any necessary
26 renewals and replacements of the System and for any capital expenditures which the county
27 council shall deem necessary and appropriate to carry out the Comprehensive Plan or may be
28 transferred to the Parity Bond Reserve, Contingency Reserve or Operating Reserve to meet
29 any deficiency therein, or may be pledged in whole or in part for the payment of junior lien
30 bonds or may be applied to the payment of outstanding Parity Bonds.

31 D. Rate Stabilization Fund. At such time as no Parity Bonds and no 1994A Bonds
32 and no 1995 Bonds remain outstanding, a special fund of the county to be designated the
33 "Sewer Rate Stabilization Fund" (the "Rate Stabilization Fund") is hereby authorized to be
34 established in anticipation of increases in revenue requirements of the System. Thereafter, in
35 accordance with the provisions of Section 14 of this ordinance, the county may from time to
36 time appropriate or budget amounts in the Revenue Fund for deposit in the Rate Stabilization

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

4 SECTION 14. Sewer Revenue Priorities of Payment. So long as any Bond shall be
5 outstanding, the Revenue of the System shall be deposited into the Sewer Revenue Fund and
6 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 1990 SRF Loan the amount
17 required by subsection E of Section VI of the 1990 SRF Loan Agreement to be accumulated
18 therein and, if required by the terms of any other SRF loan agreement, if any, the amounts
19 required by the 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 Payment Agreement Payments with respect to any Parity Payment
22 Agreements; and

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

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

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

8 SECTION 15. Construction Fund. There has heretofore been established a special fund
 9 of the county known as the "Second Water Quality Construction Fund" (the "Construction
 10 Fund"). For purposes of separately accounting for investment earnings on the proceeds of the
 11 Project Bonds to facilitate compliance with the requirements of Section 22 of this ordinance,
 12 there is hereby established a special account within the Construction Fund identified by the year
 13 or series designation given to the Project Bonds (the "Construction Account"). There shall be
 14 deposited in such Construction Account from the proceeds of sale of the Project Bonds the
 15 amount hereinafter provided in Section 16 of this ordinance.

16 Money in the Construction Account shall be held and applied as provided in this
 17 section to pay the cost of acquisition and construction of the System and all costs incident
 18 thereto, including but not limited to engineering, architectural, planning, financial, legal, urban
 19 design or any other incidental costs, and to repay any advances heretofore or hereafter made on
 20 account of such costs, provided that if deficiencies exist in the Bond Fund, money in the
 21 Construction Account may be transferred to the Bond Fund in such amounts as shall be
 22 necessary to pay principal and interest on the Project Bonds.

23 The county shall prepare and keep in its files in respect of each disbursement from the
 24 Construction Account a voucher approved by the finance director stating with respect to each
 25 payment made or to be made:

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

28 (ii) The amount to be paid; and

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

32 SECTION 16. Disposition of Proceeds of Bonds. The proceeds of each series of the
 33 Bonds shall be deposited as follows:

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

1 B. The proceeds of each series of the Project Bonds shall be deposited in the
2 Construction Account.

3 C. The proceeds of the Refunding Bonds shall be deposited in the 1996 Refunding
4 Account (as hereinafter defined) and applied as provided in Section 17 of this ordinance.

5 SECTION 17. Application of Refunding Bond Proceeds

6 A. Plan of Refunding. There is hereby authorized and established a special account
7 of the county to be maintained with the Escrow Agent (as hereinafter defined) to be known as
8 the "King County 1996 Limited Tax General Obligation Bonds (Payable from Sewer
9 Revenues) Refunding Account" (the "Refunding Account"), with subaccounts created therein
10 as necessary if the Refunding Bonds are issued in more than one series. The Refunding
11 Account shall be drawn upon for the sole purpose of paying the principal of and interest on the
12 Refunded Bonds and of paying costs related to issuance of the Refunding Bonds and refunding
13 the Refunded Bonds. The proceeds of sale of the Refunding Bonds shall be deposited into the
14 Refunding Account to provide for refunding the Refunded Bonds, as authorized by the
15 Refunded Bond Ordinances and to pay the costs of issuance of the Refunding Bonds.

16 The finance director is authorized to determine, in consultation with the county's
17 financial advisors, which of the Refunded Bonds, if any, are to be refunded. The final plan of
18 refunding and call for redemption of the Refunded Bonds shall be set forth in and ratified and
19 confirmed by a Sale Motion. Money in the Refunding Account shall be used immediately upon
20 receipt thereof to defease the Refunded Bonds and discharge the other obligations of the
21 county relating thereto under the Refunded Bond Ordinances, as applicable, by providing for
22 the payment of the principal of and interest on the Refunded Bonds as set forth in a Sale
23 Motion. The county shall defease such bonds and discharge such obligations by the use of the
24 money in the Refunding Account to purchase certain "Government Obligations" as such
25 obligations are defined in Chapter 39.53 RCW as now or hereafter amended (which obligations
26 so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as
27 to principal and interest in such amounts and at such times which, together with any necessary
28 beginning cash balance, will provide for the payment of the Refunded Bonds, as set forth in the
29 Sale Motion. Such Acquired Obligations shall be purchased at a yield not greater than the yield
30 permitted by the Code and regulations relating to acquired obligations in connection with
31 refunding bond issues.

32 In connection with the issuance of each series of the Refunding Bonds, to carry out the
33 refunding and defeasance of the Refunded Bonds, the finance director is hereby authorized to
34 appoint as escrow agent a bank or trust company qualified by law to perform the duties
35 described herein and in the form of escrow agreement attached hereto as Exhibit A (each, an
36 "Escrow Agent"). Any beginning cash balance and the Acquired Obligations shall be

1 irrevocably deposited with the Escrow Agent in an amount sufficient to defease the Refunded
2 Bonds in accordance with this Section 17 and a Sale Motion.

3 The county will take such actions as are found necessary to see that all necessary and
4 proper fees, compensation and expenses of the Escrow Agent shall be paid when due. The
5 proper officers and agents of the county are directed to obtain from each Escrow Agent an
6 agreement setting forth the duties, obligations and responsibilities of such Escrow Agent in
7 connection with the redemption and retirement of the Refunded Bonds as provided herein and
8 stating that such provisions for the payment of the fees, compensation and expenses of such
9 Escrow Agent are satisfactory to it.

10 To carry out the purposes of this section of this ordinance, the finance director is
11 authorized and directed to execute and deliver to each Escrow Agent the Escrow Agreement in
12 substantially the form set forth in Exhibit A attached to this ordinance and incorporated herein
13 by this reference.

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

17 SECTION 18. Due Regard for Expenses of Maintenance and Operation. The county
18 council hereby declares that, in fixing the amounts to be paid into the Bond Fund and the
19 accounts therein out of the Revenue of the System, it has exercised due regard for the
20 necessary expenses of maintenance and operation of the System and has not obligated the
21 county to set aside, pay into and maintain in said fund and accounts a greater amount of the
22 Revenue of the System than in its judgment will be available over and above such necessary
23 expenses of maintenance and operation.

24 SECTION 19. Rate Covenants.

25 A. Rate Covenant -- General. The county hereby covenants with the owner of
26 each of the Bonds for so long as any of the same are outstanding that the county will at all
27 times establish, maintain and collect rates and charges for sewage disposal service that shall be
28 fair and nondiscriminatory and adequate to provide Revenue of the System sufficient for the
29 proper operation and maintenance of the System; for the punctual payment of the principal of
30 and interest on all outstanding Parity Bonds for which payment has not otherwise been
31 provided and all amounts that the county is obligated to set aside in the Parity Bond Fund
32 securing the Parity Bonds; for the punctual payment of the principal of and interest on all
33 outstanding Bonds and for all amounts that the county is obligated to set aside in the Bond
34 Fund; and for the payment of any and all amounts that the county is now or may hereafter
35 become obligated to pay from Revenue of the System.

1 B. Rate Covenant -- Coverage.

2 (i) Subject to the provisions of subparagraph (2) of this Section 17(B), the
3 county hereby covenants with the owner of each of the Bonds for as long as any of the same
4 are outstanding that the county will at all times establish, maintain and collect rates and charges
5 for sewage disposal service that, together with the interest to be earned on investments made of
6 money in the Revenue Fund or the Bond Fund, will provide in each fiscal year Revenue of the
7 System in an amount equal to at least 1.15 times the amounts required to pay:

8 (a) The interest coming due on July 1 of such fiscal year on the
9 outstanding Parity Bonds, and all amounts required to be paid in such fiscal year in respect of
10 interest on the Bonds and other Parity Lien Obligations and Payment Agreement Payments in
11 respect of Parity Payment Agreements.

12 (b) The principal and interest coming due on January 1 of the next
13 succeeding year on the outstanding Parity Bonds, and all principal coming due in such fiscal
14 year on the Bonds and other Parity Lien Obligations (other than principal and interest on Parity
15 Term Bonds and principal on Bonds and other Parity Lien Obligations that are Term Bonds).

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

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

27 For the purpose of meeting the requirement of this Section 19.B, but only after such
28 time as no Parity Bonds, no 1994A Bonds and no 1995 Bonds remain outstanding, there may
29 be added to Revenue of the System for any fiscal year any amount withdrawn from the Rate
30 Stabilization Fund and deposited in the Revenue Fund. There shall be subtracted from Net
31 Revenue for any fiscal year any amounts in such year withdrawn from the Revenue Fund and
32 deposited into the Rate Stabilization Fund in such fiscal year.

33 (ii) Amounts required to be paid in respect of Parity Bonds and Parity Lien
34 Obligations shall be calculated in accordance with the following requirements:

35 (a) Capitalized and Accrued Interest. For purposes of calculating
36 the amounts required to pay interest on Parity Bonds or on Parity Lien Obligations, capitalized

1 interest and accrued interest paid to the county upon the issuance of Parity Bonds and Parity
2 Lien Obligations shall be excluded.

3 (b) Interest on Variable Rate Parity Lien Obligations. The amount
4 of interest deemed to be payable on any issue of Variable Rate Parity Lien Obligations shall be
5 calculated on the assumption that the interest rate on those bonds would be equal to the rate
6 (the "assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or
7 comparable index during the fiscal quarter preceding the quarter in which the calculation is
8 made; provided, for purposes of determining actual compliance with the covenant made in this
9 Section 17(B) in any past fiscal year, the actual amount of interest paid on any issue of Variable
10 Rate Parity Lien Obligations shall be taken into account.

11 (c) Debt Service on Parity Lien Obligations With Respect to Which
12 Payment Agreement Is in Force. Debt service on Parity Lien Obligations with respect to which
13 a Payment Agreement is in force shall be calculated by the county to reflect the net economic
14 effect on the county intended to be produced by the terms of the Parity Lien Obligations and
15 the terms of the Payment Agreement, in accordance with the requirements set forth in
16 Section 25 of this ordinance.

17 SECTION 20. Certain Other Covenants. The county makes the following covenants
18 and warranties:

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

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

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

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

31 E. Until all Bonds shall have been surrendered and canceled, the county will
32 maintain a system of recording the ownership of each Bond that complies with the applicable
33 provisions of the Code.

34 F. The adoption of this ordinance, and compliance on the county's part with the
35 provisions contained herein, will not conflict with or constitute a breach of or default under any
36 constitutional provisions, law, administrative regulation, judgment, decree, loan agreement,

1 indenture, bond, note, resolution, ordinance, motion, agreement or other instrument to which
2 the county is a party or to which the county or any of its property or assets are otherwise
3 subject, nor will any such adoption, execution, delivery, sale, issuance or compliance result in
4 the creation or imposition of any lien, charge or other security interest or encumbrance of any
5 nature whatsoever upon any of the property or assets of the county or under the terms of any
6 such law, regulation or instrument, except as may be provided by the Bonds and this ordinance.

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

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

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

18 J. The county will not sell or voluntarily dispose of all of the operating properties
19 of the System unless provision is made for payment into the Bond Fund of a sum sufficient to
20 pay the principal of and interest on all outstanding Bonds in accordance with the terms thereof
21 nor will it sell or voluntarily dispose of any part of the operating properties of such System
22 unless provision is made for payment into the Bond Fund of an amount which will bear at least
23 the same proportion to the amount of the outstanding Bonds that the estimated amount of any
24 resulting reduction in the Revenue of the System for the twelve months following such sale or
25 disposition bears to the Revenue of the System which would have been realized if such sale or
26 disposition had not been made. Such estimate shall be made by an independent licensed
27 professional engineer or firm of licensed professional engineers. Any money so paid into the
28 Bond Fund shall be used to retire outstanding Bonds as provided herein at the earliest possible
29 date.

30 K. The county will cause proper books of record and accounts of operation of the
31 System to be kept and shall cause a quarterly financial and operating statement to be prepared
32 as soon as may be practicable following each quarterly period for the preceding quarter's
33 business and operation of the System. Said statement shall be filed promptly upon its
34 completion with the county council and shall be sent to the Registered Owner of any Bonds
35 upon written request being made therefor.

1 L. Not later than 120 days after the end of each fiscal year of the county, the
2 county will cause an annual audit of the accounts and records of the System to be made by
3 Certified Public Accountants with experience in municipal utility accounting. Such audit shall
4 certify as to the compliance or noncompliance by the county with the financial covenants of this
5 ordinance and shall accurately and completely reflect the financial condition of the System.
6 The audit shall be delivered to the clerk of the county council, shall be paid for by the county
7 and shall be made available to the Registered Owner of any Bond upon written request being
8 made therefor.

9 The county shall cause its books of accounts to be audited annually by the State
10 auditor's office or other State department or agency as may be authorized and directed by law
11 to make such audits, or if such an audit shall not be made for twelve months after the close of
12 any fiscal year of the county, by a Certified Public Accountant. The county will furnish such
13 audit to the Registered Owner of any Bond upon written request therefor.

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

21 N. The county shall cause the construction of any duly authorized and ordered
22 portions of the Fourth Stage Project to be performed and completed within a reasonable time
23 and at the lowest reasonable cost.

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

32 P. Not later than 120 days after the end of each calendar year, the county will
33 cause an annual report regarding the System to be prepared by its consulting engineers or by an
34 independent consulting engineer or engineering firm experienced in the design, construction
35 and operation of municipal utilities who shall examine the System and state whether the county
36 has maintained same in good repair, working order and condition and has operated the business

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

6 SECTION 21. Tax-Exemption. The county shall comply with the provisions of this
7 section unless, in the written opinion of nationally-recognized bond counsel to the county, such
8 compliance is not required in order to maintain the exemption of the interest on the Bonds from
9 federal income taxation.

10 The county hereby covenants that it will not make any use of the proceeds from the sale
11 of the Bonds or any other funds of the county which may be deemed to be proceeds of such
12 Bonds pursuant to Section 148 of the Code and the applicable regulations thereunder which
13 will cause the Bonds to be "arbitrage bonds" within the meaning of said section and said
14 regulations. The county will comply with the applicable requirements of Section 148 of the
15 Code (or any successor provision thereof applicable to the Bonds) and the applicable
16 regulations thereunder throughout the term of the Bonds.

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

20 SECTION 22. Arbitrage Rebate. The county will pay the Rebate Amount, if any, to
21 the United States of America at the times and in the amounts necessary to meet the
22 requirements of the Code to maintain the federal income tax exemption for interest payments
23 on the Bonds, in accordance with the Arbitrage and Tax Certification.

24 SECTION 23. Additional Obligations Payable from Revenue of the System.

25 A. Additional Parity Bonds and SRF Loans. The county expressly reserves the
26 right to issue additional Parity Bonds in accordance with the Parity Bond Ordinances and to
27 incur additional SRF Loans in accordance with the 1990 SRF Loan Agreement. Subject to this
28 reservation of rights with respect to Parity Bonds and SRF Loans, the county hereby covenants
29 and agrees that for so long as the Bonds are outstanding it will not issue or incur any other
30 additional indebtedness secured in whole or in part by a lien on Revenue of the System superior
31 to the lien of the Bonds.

32 B. Additional Parity Lien Obligations.

33 (i) Parity Lien Obligations Other Than Refunding Bonds. The county
34 expressly reserves the right to issue or enter into additional Parity Lien Obligations (including
35 Variable Rate Parity Lien Obligations as defined herein) for any lawful purpose of the county
36 related to the System if at the time of issuing or entering into such Parity Lien Obligations:

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

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

11 1. The principal of the Parity Lien Obligations being issued
12 and all outstanding Parity Bonds, Bonds and any other Parity Lien Obligations (other than
13 amortization of principal of Term Bonds).

14 2. The interest on the Parity Lien Obligations being issued
15 and all outstanding Parity Bonds, Bonds and any other Parity Lien Obligations, exclusive of any
16 interest which shall be payable from the proceeds of the Parity Lien Obligations to be issued.

17 3. The amounts required to be paid into any fund or account
18 to amortize the principal of any Parity Lien Obligations that are Term Bonds being issued and
19 all outstanding Parity Term Bonds and Bonds or any other Parity Lien Obligations that are
20 Term Bonds.

21 (c) Amounts required to be paid in respect of Parity Bonds and
22 Parity Lien Obligations shall be calculated in accordance with the following requirements.

23 1. For purposes of calculating the amounts required to pay
24 interest on the Parity Lien Obligations being issued, capitalized interest and accrued interest to
25 be paid to the county upon the issuance of such proposed Parity Lien Obligations shall be
26 excluded.

27 2. The amount of interest deemed to be payable on any
28 issue of Variable Rate Parity Lien Obligations shall be calculated on the assumption that the
29 interest rate on those bonds would be equal to the rate (the "assumed RBI rate") that is 90% of
30 the average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter
31 preceding the quarter in which the calculation is made.

32 3. Debt service on Parity Lien Obligations with respect to
33 which a Payment Agreement is in force shall be calculated by the county to reflect the net
34 economic effect on the county intended to be produced by the terms of the Parity Lien
35 Obligations and the terms of the Payment Agreement, in accordance with the requirements set
36 forth in Section 23 of this ordinance.

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

4 1. The Revenue of the System shall be determined for a
5 period of any 12 consecutive months out of the 18 months immediately preceding the delivery
6 of the Parity Lien Obligations being issued.

7 2. Such revenue shall be adjusted to give effect on a
8 12-month basis to the rates in effect on the date of such certificate.

9 3. If there were any Customers added to the System during
10 such 12-month period or thereafter and prior to the date of the engineer's certificate, such
11 revenue shall be further adjusted on the basis that added Customers were Customers of the
12 System during the entire 12-month period.

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

15 5. For each year following the proposed date of issuance of
16 such Parity Lien Obligations the engineer shall add to the annual revenue determined in the
17 preceding four paragraphs an estimate of the income to be received in each such year from the
18 investment of money in the Bond Fund or any bond fund for Parity Lien Obligations and the
19 Construction Fund which will be determined by and in the sole discretion of a firm of nationally
20 recognized financial consultants selected by the county.

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

30 7. If extensions of or additions to the System are in the
31 process of construction at the time of such certificate, or if the proceeds of the Parity Lien
32 Obligations being issued are to be used to acquire or construct extensions of or additions to the
33 System, there shall be added to the annual net revenue as above determined any revenue not
34 included in the preceding paragraphs which will be derived from such additions and extensions
35 after deducting therefrom the estimated additional Operating and Maintenance Expenses to be
36 incurred as a result of such additions and extensions; provided that such estimated annual

1 revenue shall be based upon 75% of any estimated Customer growth in the four years
2 following the first full year in which such additional revenue is to be collected and thereafter
3 the estimated Customer growth shall not exceed 1/4 of 1% per year over and above such
4 reduced estimate.

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

6 (a) The county may at any time for the purpose of refunding at or
7 prior to their maturity any outstanding Parity Lien Obligations or any bonds or other
8 obligations of the county payable from Revenue of the System issue additional Parity Lien
9 Obligations without complying with the provisions of Section 21(B)(i) hereof; provided,
10 however, that the county shall not issue additional Parity Lien Obligations for such purpose
11 under this Section 21(B)(ii) unless there shall have been filed with the Clerk of the county
12 council a certificate of the finance director stating that immediately after the issuance of such
13 Parity Lien Obligations the annual debt service for each year that Bonds and any other Parity
14 Lien Obligations (other than the refunding bonds proposed to be issued) are then outstanding
15 shall not be increased by more than \$5,000 by reason of the issuance of such Parity Lien
16 Obligations.

17 (b) The principal amount of such Parity Lien Obligations may
18 include amounts necessary to pay the principal of the Bonds or other obligations to be
19 refunded, interest thereon to the date of payment or redemption thereof, any premium payable
20 thereon upon such payment or redemption and the costs of issuance of such Parity Lien
21 Obligations, and if there shall have been provided a Payment Agreement with respect to the
22 obligations to be refunded, may include amounts necessary to make the payment of all
23 amounts, if any, due and payable by the county under such Payment Agreement. The proceeds
24 of such Parity Lien Obligations shall be held and applied in such manner, consistent with the
25 provisions of Section 29 hereof, as is provided in the ordinance providing for the issuance of
26 such Parity Lien Obligations, so that upon the delivery of such Parity Lien Obligations, the
27 Bonds or other obligations to be refunded thereby shall be deemed to be no longer outstanding
28 in accordance with the provisions of such Section 29.

29 (c) At the election of the county, the provisions of this
30 Section 21(B)(2) shall not be applicable to the refunding at one time of all the Parity Lien
31 Obligations then outstanding.

32 (d) Additional Parity Lien Obligations for the purpose of refunding
33 outstanding Parity Lien Obligations or bonds or other obligations of the county payable from
34 Revenue of the System may also be issued upon compliance with the provisions of
35 Section 21(B)(i) hereof.

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

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

10 SECTION 24. Reimbursement Obligations. If the county elects to secure any Parity
 11 Lien Obligations with a Credit Facility, the county may contract with the entity providing such
 12 Credit Facility that the reimbursement obligation, if any, to such entity is a Parity Lien
 13 Obligation.

14 SECTION 25. Payment Agreements and Parity Payment Agreements.

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

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

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

26 D. Calculation of Payment Agreement Payments and Debt Service on Parity Lien
 27 Obligations With Respect to Which a Payment Agreement Is in Force. It is the intent of the
 28 county for purposes of Sections 19 or 23 of this ordinance, debt service on Parity Lien
 29 Obligations with respect to which a Payment Agreement is in force shall be calculated to reflect
 30 the net economic effect on the county intended to be produced by the terms of the Parity Lien
 31 Obligations and the terms of the Payment Agreement. In calculating such amounts, the county
 32 shall be guided by the following requirements.

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

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

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

13 (b) County Obligated to Make Payments Based on Variable Rate
14 Index. If the county is obligated to make Payment Agreement Payments based on a variable
15 rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate,
16 payments by the county will be based on a rate equal to the average rate determined by the
17 variable rate index specified by the Parity Payment Agreement during the fiscal quarter
18 preceding the quarter in which the calculation is made, and the Qualified Counterparty will
19 make payments based on the fixed rate specified by the Parity Payment Agreement.

20 E. Prior Notice to Moody's and Standard & Poor's. The county shall give notice
21 to Moody's Investors Service and Standard & Poor's Rating Group thirty days prior to the date
22 it intends to enter into a Payment Agreement.

23 SECTION 26. Public Sale of Bonds. The Bonds shall be sold in one or more series, ,
24 as the finance director may determine, at public sale. Bids for the purchase of each series of
25 the Bonds shall be received at the county's purchasing office, Room 610, King County
26 Administration Building, 500 Fourth Avenue, Seattle, Washington, at 9:00 a.m., or at such
27 other time as the finance director shall direct, on such date as the finance director shall direct;
28 provided, however, that no Bonds authorized herein shall be sold after June 1, 1997.

29 Upon the date and time established for the receipt of bids for each series of the Bonds,
30 the finance director shall open the bids, shall cause the bids to be mathematically verified and
31 shall report to the county council regarding the bids received. Such bids shall then be
32 considered and acted upon by the county council in an open public meeting. The county
33 council reserves the right to reject any and all bids for any series of the Bonds. Bids for each
34 series of the Bonds must be on an all or none basis. The county council by a Sale Motion shall
35 approve the sale of each series of the Bonds, establish the series designation, date, interest
36 rates, and redemption provisions of such Bonds, and ratify and confirm any plan of refunding

1 Refunded Bonds. In determining which of the Refunded Bonds, if any, should be advance
2 refunded, it is the council's intent that the finance director adhere to a refunding guideline that
3 the present value of the savings achieved by the advance refunding exceed a minimum level of
4 approximately 5 percent of the principal amount of Refunded Bonds that are advance refunded.
5 This requirement does not apply to the current refunding of any Refunded Bonds, i.e., the
6 redemption of such Refunded Bonds paid for with proceeds of Refunding Bonds issued no
7 earlier than six months prior to such date fixed for redemption.

8 The finance director is hereby authorized and directed to prepare an Official Notice of
9 Bond Sale for each series of the Bonds substantially in the form and content presented to the
10 county council and on file with the Clerk of the county council, with such changes not
11 inconsistent with this ordinance as the finance director shall approve. The finance director is
12 hereby authorized to establish the series designation, date, principal amount, interest payment
13 dates, maturity schedule and redemption provisions for such series of the Bonds in such Official
14 Notice of Bond Sale so long as the aggregate principal amount of all the Bonds does not
15 exceed \$560,000,000. The Official Notice of Bond Sale or an abridged form thereof shall be
16 published once prior to such sale date in The Bond Buyer and may be published in such other
17 papers or financial journals as may be deemed desirable or appropriate by the financial advisors
18 to the county.

19 SECTION 27. Delivery of Bonds. Following the sale of each series of the Bonds, the
20 county shall cause definitive Bonds of such series to be prepared, executed and delivered,
21 which Bonds shall be typewritten, lithographed or printed with engraved or lithographed
22 borders.

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

30 SECTION 28. Preliminary Official Statement Declaration. The county hereby
31 authorizes and directs the finance director (i) to review and approve the information contained
32 in the preliminary official statement (the "Preliminary Official Statement") prepared in
33 connection with the sale of each series of the Bonds; (ii) for the sole purpose of the Bond
34 purchasers' compliance with Securities and Exchange Commission Rule 15c2-12(b)(1), to
35 "deem final" that Preliminary Official Statement as of its date, except for the omission of
36 information on offering prices, interest rates, selling compensation, delivery dates, any other

1 terms or provisions required by the county to be specified in a competitive bid, ratings, other
2 terms of the Bonds dependent on such matters and the identity of the Bond purchaser; and
3 (iii) to authorize the distribution of the Preliminary Official Statement to prospective purchasers
4 of the Bonds.

5 SECTION 29. Approval of Official Statement. The finance director is hereby
6 authorized and directed to review and approve on behalf of the county a final official statement
7 with respect to the Bonds to be prepared immediately subsequent to the sale thereof.

8 SECTION 30. Undertaking to Provide Ongoing Disclosure. In each Sale Motion, the
9 county council will set forth an undertaking for ongoing disclosure with respect to the such
10 series of Bonds, as required by Section (b)(5) of Rule 15c2-12 under the Securities and
11 Exchange Act of 1934, as the same may be amended from time to time (the "Rule") established
12 by the Securities and Exchange Commission (the "Commission").

13 SECTION 31. General Authorization. The appropriate county officials, agents and
14 representatives are hereby authorized and directed to do everything necessary for the prompt
15 sale, issuance, execution and delivery of the Bonds, and for the proper use and application of
16 the proceeds of the sale thereof.

17 SECTION 32. Investment of Funds and Accounts.

18 A. So long as any Parity Bonds remain outstanding, money in the Revenue Fund
19 shall be invested in direct obligations of the United States Government maturing or having a
20 guaranteed redemption price payable not more than two years from the date of purchase. At
21 such time as no Parity Bonds remain outstanding, money in the Revenue Fund may be invested
22 in any investments permitted for funds of the county.

23 B. So long as the 1994A Bonds and the 1995 Bonds remain outstanding, money in
24 the Bond Fund and accounts or subaccounts therein shall, as nearly as may be practicable, be
25 invested (taking into consideration the dates and times when money in such funds, accounts or
26 subaccounts will be required for the purposes of this ordinance) in (i) Government Obligations;
27 (ii) any bond, debenture, note, participation or other similar obligation issued by any of the
28 following federal agencies: Government National Mortgage Association, Federal Land Banks,
29 Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives,
30 Tennessee Valley Authority, Farmers' Home Administration, Resolution Funding Corporation
31 and Export-Import Bank; (iii) if permitted by law, any bond, debenture, note, participation or
32 other similar obligation issued by the Federal National Mortgage Association to the extent such
33 obligations are guaranteed by the Government National Mortgage Association; and (iv) to the
34 extent permitted by law, any obligation the interest on which is not included in gross income
35 for federal income tax purposes and which is payable, as to both principal and interest, from the
36 principal of and interest paid on obligations of the United States of America. At such time as

1 no 1994A Bonds or 1995 Bonds remain outstanding, money in the Bond Fund may be invested
2 in any investments permitted for funds of the county.

3 C. Money in the 1996 Construction Account in the Construction Fund may be
4 invested in any investments permitted for funds of the county.

5 D. Obligations purchased as an investment of money in the Revenue Fund, Bond
6 Fund and Construction Fund and accounts or subaccounts therein shall be deemed at all times
7 to be a part of such respective fund, account or subaccount and the income or interest earned,
8 profits realized or losses suffered by a fund, account or subaccount due to the investment
9 thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

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

13 F. In lieu of the investments of money in obligations authorized in paragraphs A)
14 (at such time as no Parity Bonds remain outstanding), B and C above, the county shall, to the
15 extent permitted by law, deposit money from the Revenue Fund, Bond Fund or Construction
16 Fund and accounts or subaccounts therein, in interest-bearing time deposits, or shall make
17 other similar investment arrangements, including, but not limited to, repurchase agreements
18 covering obligations of issuers enumerated as authorized for investments pursuant to the
19 provisions of paragraph A above, with a member bank or banks of the Federal Reserve System
20 or banks the deposits of which are insured by the Federal Deposit Insurance Corporation or
21 securities dealers approved by the county; provided, that each such interest-bearing time
22 deposit or other similar investment arrangement shall permit the money so placed to be
23 available for use at the times provided with respect to the investment or reinvestment of such
24 money; and provided, further, that all money in each such interest-bearing time deposit or other
25 similar investment arrangement shall be continuously and fully secured by obligations of issuers
26 enumerated as authorized for investments pursuant to the provisions of paragraph A above, of
27 a market value equal at all times to the amount of the deposit or of the other similar investment
28 arrangement.

29 SECTION 33. Refunding or Defeasance. The county may issue advance refunding
30 bonds pursuant to the laws of the State of Washington or use money available from any other
31 lawful source to pay when due the principal of and interest on the Bonds, or any portion
32 thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease
33 all such then-outstanding Bonds and to pay the costs of the refunding or defeasance.

34 In the event that money and/or noncallable Government Obligations maturing at such
35 time or times and bearing interest to be earned thereon in amounts (together with such money,
36 if necessary) sufficient to redeem and retire, refund or defease part or all of the Bonds in

1 accordance with their terms, are set aside in a special account of the county to effect such
2 redemption and retirement, and such money and the principal of and interest on such
3 Government Obligations are irrevocably set aside and pledged for such purpose, then no
4 further payments need be made into the Bond Fund for the payment of the principal of and
5 interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien,
6 benefit or security of this ordinance except the right to receive the money so set aside and
7 pledged, and such Bonds shall be deemed not to be outstanding hereunder.

8 Within 30 days of the defeasance of any of the Bonds, the Bond Registrar shall provide
9 notice of defeasance of such Bonds to the registered owners of the Bonds and to each
10 NRMSIR and SID, if any, in accordance with the ongoing disclosure provision to be adopted
11 by motion of the council pursuant to Section 30 hereof.

12 SECTION 34. Open Market Purchase. The county reserves the right to purchase any
13 or all of the Bonds on the open market at any time at any price.

14 SECTION 35. Supplemental Ordinances. The county council from time to time and at
15 any time may adopt an ordinance or ordinances supplemental to this ordinance which
16 supplemental ordinance or ordinances thereafter shall become a part of this ordinance, for any
17 one or more of the following purposes:

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

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

28 SECTION 36. Contract; Severability. The covenants contained in this ordinance shall
29 constitute a contract between the county and the Owners of each and every Bond and between
30 the county and any Qualified Counterparty to any Payment Agreement entered into in
31 connection with the Bonds. If any one or more of the covenants or agreements provided in this
32 ordinance to be performed on the part of the county shall be declared by any court of
33 competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or
34 agreements, shall be null and void and shall be deemed separable from the remaining covenants
35 and agreements of this ordinance and shall in no way affect the validity of the other provisions
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of this ordinance or of the Bonds.

INTRODUCED AND READ for the first time this 8th day of

April, 1996.

PASSED by a vote of 12 to 0 this 3rd day of June, 1996.

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Jane Hague
Chair

ATTEST:

Gerald A. Peterson
Clerk of the Council

APPROVED this 13th day of June, 1996

Ray Lohr
King County Executive

Attachments: Exhibit A - Form of Escrow Agreement

EXHIBIT A

FORM OF ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of _____, 1996 (together with any amendments or supplements hereto, called the "Agreement"), entered into by and between King County, Washington (the "County") and _____, _____, _____, as Escrow Agent (together with any successor in such capacity, the "Escrow Agent");

WITNESSETH:

WHEREAS, the County by Ordinance No. _____ passed on _____, 1996, and Motion No. _____ passed on _____, 1996 (together, the "Bond Ordinance"), has determined to refund the following outstanding bonds (the "Refunded Bonds") by the issuance of its Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 1996, Series __ (the "Refunding Bonds");

| <u>Refunded Bonds</u> | <u>Maturing On or After</u> | <u>Refunded Principal Amount</u> | <u>Date of Redemption</u> |
|-----------------------|---------------------------------|--------------------------------------|-------------------------------|
| Series J Bonds | January 1, 1997 | | |
| Series P Bonds | January 1, 1997 | | |
| Series Q Bonds | January 1, 1997 | | |
| Series R Bonds | January 1, 1997 | | |
| Series S Bonds | January 1, 1999 | | |
| Series T Bonds | January 1, 2001 | | |
| Series U Bonds | January 1, 2002 | | |
| Series W Bonds | January 1, 2017 | | |
| 1994A Bonds | January 1, 2005 | | |
| 1995 Bonds | January 1, 2006 | | |

WHEREAS, the Escrow Agent has reviewed the Bond Ordinance and this Agreement, and is willing to serve as Escrow Agent hereunder; and

WHEREAS, _____, Certified Public Accountants, of _____, _____, have prepared a verification report dated _____, 1996 (the "Verification Report") relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds; and

WHEREAS, the County by the Bond Ordinance has duly authorized the execution and delivery of this Agreement and has designated the Refunded Bonds for redemption prior to their scheduled maturity dates; and

WHEREAS, the County desires that, concurrently with the delivery of the Refunding Bonds to the purchasers thereof, the proceeds of the Refunding Bonds, together with certain other available funds of the County, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

[WHEREAS, the County, the Escrow Agent and _____ (the "Provider") have entered into a Securities Purchase Agreement of even date herewith (the "Securities Purchaser Agreement"), pursuant to which the Provider will provide certain securities for deposit into the Escrow Fund;]

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide money that, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay:

(a) both the interest on the Refunded Series J Bonds due and payable on and prior to July 1, 1997, and the redemption price (___% of the principal amount) of the Refunded Series J Bonds payable on July 11, 1996;

(b) both the interest on the Refunded Series P Bonds due and payable on and prior to July 1, 1996, and the redemption price (102% of the principal amount) of the Refunded Series P Bonds payable on July 1, 1996;

(c) both the interest on the Refunded Series Q Bonds due and payable on and prior to July 1, 1996, and the redemption price (101½% of the principal amount) of the Refunded Series Q Bonds payable on July 1, 1996;

(d) both the interest on the Refunded Series R Refunded Bonds due and payable on and prior to July 1, 1996, and the redemption price (102% of the principal amount) of the Refunded Series R Bonds payable on July 1, 1996;

(e) both the interest on the Refunded Series S Bonds due and payable on and prior to January 1, 1998, and the redemption price (102% of the principal amount) of the Refunded Series S Bonds payable on January 1, 1998;

(f) both the interest on the Refunded Series T Bonds due and payable on and prior to January 1, 2000, and the redemption price (102% of the principal amount) of the Refunded Series T Bonds payable on January 1, 2000;

(g) both the interest on the Refunded Series U Bonds due and payable on and prior to January 1, 2001, and the redemption price (102% of the principal amount) of the Refunded Series U Bonds payable on January 1, 2001; and

(h) both the interest on the Refunded Series W Bonds due and payable on and prior to January 1, 2003, and the redemption price (102% of the principal amount) of the Refunded Series W Bonds payable on January 1, 2003; and

(i) both the interest on the Refunded 1994A Bonds due and payable on and prior to January 1, 2004, and the redemption price (102% of the principal amount) of the Refunded 1994A Bonds payable on January 1, 2004; and

(j) both the interest on the Refunded 1995 Bonds due and payable on and prior to January 1, 2005, and the redemption price (102% of the principal amount) of the Refunded 1995 Bonds payable on January 1, 2005.

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of the principal of and interest on the Refunded Bonds, the County and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1. Definitions

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Escrow Fund" means the King County 1996 Limited Tax General Obligation Bond Refunding Account authorized by the Bond Ordinance to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

"Escrowed Securities" means the noncallable Government Obligations described in Appendix A attached to this Agreement, or cash or other noncallable obligations substituted therefor pursuant to Sections 4.1 and 4.2 of this Agreement.

"Government Obligations" means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series ("SLGS"), (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

Securities described in (c) above shall be limited to those securities which are defined as government obligations by Section 39.53.010(9), Revised Code of Washington.

"Paying Agent" means the fiscal agency of the State of Washington, as the paying agent for the Refunded Bonds.

"Securities Purchase Agreement" means the Securities Purchase Agreement dated as of _____, 1996 among the County, the Provider and the Escrow Agent.

Section 1.2. Other Definitions.

The terms "Agreement," "County," "Escrow Agent," "Bond Ordinance," "Verification Report," "Refunded Bonds," and "Refunding Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement. All other capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them by the Bond Ordinance.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

Concurrently with the sale and delivery of the Refunding Bonds the County shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, \$ _____ of the proceeds of the Refunding Bonds, of which \$ _____ shall be applied to purchase the initial Escrowed Securities, \$ _____ to establish a beginning cash balance, and \$ _____ to pay the costs of issuance described in Appendix C attached hereto, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the County in writing.

Article 3. Creation and Operation of Escrow Fund

Section 3.1. Escrow Fund.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the 1996 Refunding Account (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Section 2.1 hereof. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in

the Escrow Fund shall be transferred to the County, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Bonds at their redemption date and interest thereon to such redemption date in the amounts and at the times shown in Appendix B attached hereto.

Section 3.3. Sufficiency of Escrow Fund.

The County represents that, based upon the information provided in the Verification Report, the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide money for transfer to the Paying Agent at the times and in the amounts required to pay interest due and payable on the Refunded Bonds on and prior to their respective redemption dates, and the redemption price for the Refunded Bonds payable on such redemption dates, all as set forth in the recitals of this Agreement.

If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments described in Section 3.2. hereof, the County shall timely deposit in the Escrow Fund, from any funds lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the County's failure to make additional deposits thereto.

Section 3.4. Trust Fund.

The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Bonds. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the County, and the Escrow Agent shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the County or, except to the extent expressly herein provided, by the Paying Agent.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Escrowed Securities, and except as provided in this Section 4.1, Section 4.2 hereof or in Sections 1 and 5 of the Securities Purchase Agreement, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities. The Escrow Agent is directed to purchase on _____, _____, United States Treasury Obligations -- State and Local Government Series (SLGS), yielding not more than _____%, maturing on _____, _____, in the par amount of \$_____. If SLGS are unavailable, funds will be held uninvested in the account or may be invested in accordance with procedures approved by the County's bond counsel.

Section 4.2. Substitution of Securities.

At the written request of the County, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations that do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the County in connection with such transaction; (b) the Escrow Agent shall have received the unqualified written legal opinion of the County's bond counsel or tax counsel to the effect that such transaction will not cause any of the Refunding Bonds or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and (c) such transaction is approved by an ordinance duly passed by the County Council. This Section 4.2 shall not apply to purchases made pursuant to the Securities Purchase Agreement.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Sections 3.2, 4.1 and 4.2 hereof and in the Securities Purchase Agreement, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent in U.S. currency and as cash balances as shown on the books and records of the Escrow Agent and shall not be reinvested by the Escrow Agent; provided, however, a conversion to currency shall not be required (i) for so long as the Escrow Agent's internal rate of return does not exceed ___%, or (ii) if the Escrow Trustee's internal rate of return exceeds ___%, the Escrow Agent receives a letter of instructions, accompanied by the opinion of the County's bond counsel approving the assumed reinvestment of such proceeds at such higher yield.

Article 6. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

The County has, pursuant to the Bond Ordinance, irrevocably called the Refunded Bonds for redemption on their earliest redemption date, as shown in the Verification Report.

Section 6.2. Notice of Redemption.

The Escrow Agent agrees to give notice of the redemption of the Refunded Bonds, or to notify the Paying Agent to give such notice, pursuant to the terms of Ordinance No. 981 authorizing the issuance of the Refunded Bonds. The Escrow Agent hereby certifies that it has made provision satisfactory and acceptable to it for the giving of notice of redemption of the Refunded Bonds.

Article 7. Records and Reports

Section 7.1. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 7.2. Reports.

While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the County a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

Article 8. Concerning the Paying Agent and Escrow Agent

Section 8.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein and that it will carry out all of its obligations hereunder.

Section 8.2. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the County promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the County and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Refunding Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrar therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the County thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the County with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise

reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the County or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the County at any time.

Section 8.3. Compensation.

The County shall pay to the Escrow Agent \$ _____ for services rendered by it pursuant to the provisions of this Agreement, and such payment is inclusive of all fees, compensation and expenses of the Escrow Agent; provided, however, that the Escrow Agent shall be separately compensated for services performed in connection with any substitution of securities pursuant to Section 4.2 of this Agreement.

In the event that the Escrow Agent renders any service at the request of the County that is not provided for in this Agreement, or the Escrow Agent is made a party to or intervenes in any litigation pertaining to this Agreement or institutes interpleader proceedings relative hereto, the Escrow Agent shall be reasonably compensated by the County for such extraordinary services and reimbursed for all fees, costs, liability and expenses (including reasonable attorneys' fees) occasioned thereby. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 8.4. Successor Escrow Agent.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor; provided that the Escrow Agent has presented evidence satisfactory to the County and its bond counsel that the successor meets the requirements of RCW Chapter 39.53, as now in effect or hereafter amended, and has assumed all the obligations of the Escrow Agent under this Agreement, and that all the Acquired Obligations and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor.

Any corporation or association into which the Escrow Agent may be merged or converted, or resulting from any merger or conversion, or to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Escrow Agent without the execution of filing of any paper or any further act, anything herein to the contrary notwithstanding.

Article 9. Miscellaneous

Section 9.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the County or the Escrow Agent at the address shown below. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

County: King County, Washington
 Department of Finance
 County Administration Building
 500 Fourth Avenue
 Seattle, WA 98104
 Attention: Finance Director

Escrow Agent: _____

Section 9.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the County, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

Section 9.3. Binding Agreement.

This Agreement shall be binding upon the County and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the County, the Escrow Agent and their respective successors and legal representatives.

Section 9.4. Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington.

Section 9.6. Time of the Essence.

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7. Notice to Rating Agencies.

In the event that this agreement or any provision thereof is severed, amended or revoked, the County shall provide written notice of such severance, amendment or revocation to:

Standard & Poor's Ratings Group
Attn: Public Finance Rating Desk/Refunded Bonds
25 Broadway
New York, New York 10004

Moody's Investors Service
Attn: Public Finance Rating Desk/Refunded Bonds
99 Church Street
New York, New York 10007

Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies (if any) that have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies that have rated the Refunded Bonds.

IN WITNESS WHEREOF, the parties have executed and delivered this Escrow Agreement, all as of the date and year first above written.

KING COUNTY, WASHINGTON

Finance Director

[ESCROW AGENT]

Its: _____

- Appendix A - Description of the Escrowed Securities
- Appendix B - Schedule of Payments on the Refunded Bonds
- Appendix C - Costs to be Paid at Closing

APPENDIX A

**[INSERT HERE A COPY OF THE DESCRIPTION OF THE ESCROW
SECURITIES FROM THE VERIFICATION REPORT.]**

12314

APPENDIX B

[INSERT HERE A COPY FROM THE VERIFICATION REPORT OF THE
SCHEDULE OF PAYMENTS TO BE MADE ON THE REFUNDED BONDS.]

APPENDIX C

Expenses to be paid at closing:

| <u>Description</u> | <u>Payee</u> | <u>Amount</u> |
|-------------------------|--------------|----------------------|
| Escrow Verification Fee | | \$ |
| Escrow Agent Fee | | |
| Bond Counsel Fees | | |
| Bond Printing Costs | | |
| Rating Agency | | <u> </u> |
| Total | | \$ <u> </u> |