



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

October 4, 2004

Ordinance 15033

Proposed No. 2004-0358.1

Sponsors Gossett

1 AN ORDINANCE authorizing the issuance of the county's
2 limited tax general obligation bonds (payable from sewer
3 revenues) in the aggregate principal amount of not to
4 exceed \$220,000,000 to provide funds for acquiring and
5 constructing improvements to the sewer system of the
6 County; providing for the form, terms, covenants and other
7 provisions of such bonds; providing for the sale of the
8 bonds; establishing funds for the receipt and expenditure of
9 bond proceeds and for the payment of the bonds; providing
10 for the annual levy of taxes to pay the principal thereof and
11 interest thereon; and pledging sewer revenues as additional
12 security for the bonds.

13

14

15

PREAMBLE:

16

The Municipality of Metropolitan Seattle ("Metro") was created by public

17

vote to exercise the powers conferred by Chapter 35.58 of the Revised

18 Code of Washington ("RCW") related to water pollution abatement.
19 RCW 35.58.200 confers specific powers to prepare and implement a
20 comprehensive water pollution abatement plan including provisions for
21 waterborne pollutant removal, water quality improvement, sewage
22 disposal and storm water drainage. In the exercise of those powers, Metro
23 adopted a comprehensive water pollution abatement plan for the Seattle
24 metropolitan area. This plan has been implemented in stages and has
25 included facilities for the conveyance and treatment of sewage and control
26 of combined sewer overflows that include, but are not limited to,
27 wastewater treatment plants, interceptor and trunk sewers, pumping
28 stations, regulator stations, outfall sewers, storm sewers to divert
29 stormwater from sanitary sewers, lands for application of biosolids,
30 property rights, buildings and other structures (collectively, the "Sewer
31 System").

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

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

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

Series	Date of Issue	Original Principal Amount	Principal Amount Outstanding
1999	June 1, 1999	\$ 80,000,000	\$ 80,000,000
1999 2 nd	November 1, 1999	\$ 60,000,000	\$ 6,225,000
2001	November 28, 2001	\$ 270,060,000	\$ 249,480,000
2002A	August 14, 2002	\$ 100,000,000	\$ 100,000,000
2002B	October 3, 2002	\$ 346,130,000	\$ 333,255,000
2003	April 24, 2003	\$ 96,470,000	\$ 94,620,000
2004A	March 18, 2004	\$ 185,000,000	\$ 185,000,000
2004B	March 18, 2004	\$ 61,760,000	\$ 61,760,000

50 The County has issued the following series of limited tax general
 51 obligation bonds additionally secured by a pledge of revenues of the
 52 Sewer System (the "Parity Lien Obligations") dated as of the following

Ordinance 15033

53 dates in the following original principal amounts and now outstanding in
54 the following principal amounts:

Series	Date of Issue	Original Principal Amount	Principal Amount Outstanding
1995	May 1, 1995	\$ 90,000,000	\$ 315,000
1996	December 15, 1996	\$ 130,965,000	\$ 98,095,000
1998	September 15, 1998	\$ 261,625,000	\$ 257,650,000

55 The Council has determined that improvements to the Sewer System are in
56 the best interest of the county and ratepayers of the Sewer System, and
57 further has determined that the cost of such improvement are best financed
58 by the issuance of \$220,000,000 principal amount of additional Parity
59 Lien Obligations (the "Bonds").

60 Ordinances 11763, 12314, and 13526, which authorized the issuance of
61 the currently outstanding Parity Lien Obligations, provide that the county
62 may issue additional Parity Lien Obligations if certain conditions are met.

63 The county council has found and determined that such parity conditions
64 have been met, and therefore the pledge of revenues of the Sewer System
65 additionally to secure the Bonds shall be on a parity with the pledge of
66 such revenues to secure the outstanding Parity Lien Obligations.

67 The county wishes to delegate to the county's Finance Director authority
68 to sell the Bonds in one or more series, by competitive bid or negotiated
69 sale, as provided in this ordinance.

70 **BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:**

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

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

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

81 "Accreted Value" means with respect to any Parity Bonds that are Capital
82 Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the
83 ordinance, resolution or motion authorizing such bonds as the amounts representing the
84 initial principal amount of such bonds plus the interest accumulated, compounded and
85 unpaid thereon as of the most recent compounding date, as provided in the ordinance,
86 resolution or motion authorizing the issuance of such bonds; provided that if such
87 calculation is not made as of a compounding date, such amount shall be determined by
88 straight-line interpolation as of the immediately preceding and the immediately
89 succeeding compounding dates.

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

92 (1) The interest due for all outstanding Parity Bonds and Parity Lien Obligations
93 (i) on all interest payment dates (other than January 1) in such calendar year, and (ii) on

94 January 1 of the next succeeding year, and any Payment Agreement Payments due on
95 such dates in respect of Parity Payment Agreements and Parity Lien Payment
96 Agreements.

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

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

109 (2) The principal due for all outstanding Parity Bonds and Parity Lien
110 Obligations other than Term Bonds (i) on all principal payment dates (other than January
111 1) of such calendar year and (ii) on January 1 of the next succeeding year.

112 (3) The amounts required to be paid into the Parity Bond Fund and the Bond
113 Fund on or before (i) each principal payment date (other than January 1) of such calendar
114 year and (ii) January 1 of the next succeeding calendar year for interest on and
115 amortization of principal of any Parity Bonds and Parity Lien Obligations that are Term
116 Bonds. For purposes of this paragraph (3), "amounts required to be paid" means the

117 amount to be deposited or accumulated in the applicable Term Bond payment accounts
118 on or before such dates for outstanding Parity Bonds and Parity Lien Obligations that are
119 Term Bonds irrespective of the date or dates such amount, or any portion thereof, is
120 actually deposited into such accounts.

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

126 Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien
127 Obligations with respect to which a Payment Agreement is in force shall be calculated by
128 the county to reflect the net economic effect on the county intended to be produced by the
129 terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable
130 Payment Agreement, in accordance with the requirements for Payment Agreements set
131 forth in the ordinances authorizing issuance of such Parity Bonds or Parity Lien
132 Obligations.

133 "Arbitrage and Tax Certification" means the certificate executed by the Finance
134 Director upon the issuance of each series of Bonds pertaining to the calculation and
135 payment of any Rebate Amount with respect to the Bonds.

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

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

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

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

148 "Bonds" means all or a portion of the King County, Washington, Limited Tax
149 General Obligation Bonds (Payable from Sewer Revenues), authorized to be issued, in
150 one or more series, in an aggregate principal amount of not to exceed \$220,000,000
151 pursuant to this ordinance.

152 "Capital Appreciation Bonds" means any Parity Bonds the interest on which is
153 compounded, accumulated and payable only upon redemption or on the maturity date of
154 such Parity Bonds; provided, however, that Parity Bonds may be deemed to be Capital
155 Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution
156 or motion authorizing their issuance. On the date on which Parity Bonds no longer are
157 Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount
158 equal to their Accreted Value.

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

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

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

168 "Commercial Paper Notes" means the King County, Washington, Sewer Revenue
169 Bond Anticipation Notes, Commercial Paper Series A, authorized, issued, and
170 outstanding from time to time pursuant to Ordinance No. 12057 of the county, as
171 amended.

172 "Commission" means the Securities and Exchange Commission.

173 "Comprehensive Plan" means the original comprehensive sewage disposal plan
174 set forth in Resolution No. 23 adopted by the Metro Council on April 22, 1959,
175 subsequently redesignated the "Comprehensive Water Pollution Abatement Plan"
176 pursuant to Chapter 36, Laws of 1975, as such original plan has been modified and
177 supplemented by Metro resolutions and county ordinances, as the same may be amended
178 or supplemented hereafter by county ordinance.

179 "Construction Account" means the "Second Water Quality Construction
180 Account," as designated by Section 30 of Ordinance No. 12076 of the county.

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

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

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

195 "Finance Director" means the county's director of finance and business operations
196 division or his designee.

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

199 "Junior Lien Obligations" means the county's Junior Lien Variable Rate Demand
200 Sewer Revenue Bonds, Series 2001A and Series 2001B, issued under date of August 15,
201 2001, as authorized by Ordinances 14171 and 14172, and any other revenue bonds or
202 other revenue obligations having a lien on Revenue of the System equal to the lien
203 thereon of such bonds.

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

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

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

212 "1995 Bonds" means the county's Limited Tax General Obligation Bonds
213 (Payable from Sewer Revenues), 1995, issued under date of May 1, 1995, in the initial
214 principal amount of \$90,000,000 as authorized by Ordinance 11763 of the county.

215 "1996 Bonds" means the county's Limited Tax General Obligation Refunding
216 Bonds (payable from Sewer Revenues), 1996 Series C, issued under date of December
217 15, 1996, in the initial principal amount of \$130,965,000 as authorized by Ordinance
218 12314 of the county.

219 "1998 Bonds" means the county's Limited Tax General Obligation Refunding
220 Bonds (Payable from Sewer Revenues), 1998 Series B, issued under date of September
221 15, 1998, in the initial principal amount of \$261,625,000 as authorized by Ordinance
222 13256 of the county passed on August 31, 1998 and Motion 15060 of the county council
223 passed on September 28, 1998.

224 "Net Revenue" means Revenue of the System less Operating and Maintenance
225 Expenses.

226 "NRMSIR" means a nationally recognized municipal securities information
227 repository.

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

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

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

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

240 "Parity Bonds" means the 1999 Bonds, 1999 (2nd) Bonds, 2001 Bonds, 2002A
241 Bonds, 2002B Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, and any and all sewer
242 revenue bonds of the county, the payment of which is secured by a lien and charge upon
243 the Revenue of the System equal in rank with the lien and charge upon such revenue for
244 the payments required to pay or to secure the payment of the 1999 Bonds, 1999 (2nd)
245 Bonds, 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds, 2004A Bonds and
246 2004B Bonds. "Parity Bonds" include any Parity Payment Agreements and any parity
247 reimbursement agreements entered into with the providers of credit facilities supporting
248 Parity Bonds.

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

254 "Parity Lien Obligations" means the outstanding Parity Lien Obligations
255 described in the preamble to this ordinance, the Bonds and all bonds, notes or other
256 evidences of indebtedness payable in whole or in part from Revenue of the System and
257 secured by a lien on such Revenue on a parity with the lien thereon of the outstanding
258 Parity Lien Obligations and the Bonds. "Parity Lien Obligations" include any Parity Lien
259 Obligation Payment Agreements and parity reimbursement agreements entered into with
260 the provider of a Credit Facility.

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

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

267 "Payment Agreement" means, to the extent permitted from time to time by
268 applicable law, a written agreement entered into by the county (i) in connection with or
269 incidental to the issuance, incurring or carrying of bonds or other obligations of the
270 county secured in whole or in part by a lien on Revenue of the System; (ii) for the
271 purpose of managing or reducing the county's exposure to fluctuations or levels of

272 interest rates, currencies or commodities or for other interest rate, investment, asset or
273 liability management purposes; (iii) with an entity that at the time the agreement is
274 entered into is a Qualified Counterparty; and (iv) which provides, on either a current or
275 forward basis, for an exchange of payments determined in accordance with a formula
276 specified therein.

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

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

283 "Professional Utility Consultant" means a licensed professional engineer, a
284 Certified Public Accountant, or other independent person(s) or firm(s) selected by the
285 county having a favorable reputation for skill and experience with sewer systems of
286 comparable size and character to the System in such areas as are relevant to the purposes for
287 which they are retained.

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

295 the lien thereon established by the loan agreements described in preceding clauses (i), (ii)
296 and (iii).

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

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

308 "RCW" means the Revised Code of Washington.

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

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

314 "Revenue Fund" means the "Water Quality Operating Account," as designated by
315 Section 30 of Ordinance No. 12076 of the county.

316 "Revenue of the System" means all the earnings, revenues and money received by
317 the county from or on account of the operations of the Sewer System and the income

318 from the investment of money in the Revenue Fund or any account within such fund, but
319 shall not include any money collected pursuant to the Service Agreements applicable to
320 administrative costs of the county other than costs of administration of the System.

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

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

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

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

331 "SRF Loans" means loans to the county by the State of Washington Department
332 of Ecology pursuant to the following loan agreements: (i) the Washington State Water
333 Pollution Control State Revolving Fund (SRF) Loan Agreement between the State of
334 Washington Department of Ecology and King County Department of Natural Resources
335 Wastewater Treatment Division effective as of June 1, 2000; (ii) the Washington State
336 Water Pollution Control Revolving Fund Refinancing Loan Agreement between the State
337 of Washington Department of Ecology and the King County Wastewater Treatment
338 Division effective as of September 4, 2002; and (iii) and any loan agreements hereafter
339 entered into by the county under the State of Washington water pollution control
340 revolving fund loan program, the repayment obligations of which are secured by a lien on

341 Revenue of the System equal to the lien thereon established by the loan agreements
342 described in preceding clauses (i) and (ii).

343 "State" means the State of Washington.

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

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

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

361 SECTION 2. Findings. In accordance with the provisions of Section 21 of
362 Ordinance 11763, Section 23 of Ordinance 12314, and Section 22 of Ordinance 13256,
363 which permit the issuance of additional Parity Lien Obligations upon compliance with the

364 conditions set forth therein (the "Parity Conditions"), the county council hereby finds and
365 determines, as follows:

366 (i) The Bonds are issued to pay costs of acquiring, constructing and equipping
367 improvements, additions or betterments to the System as set forth in the Comprehensive
368 Plan.

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

372 (iii) On or prior to the date of issuance of any series of the Bonds, the county
373 shall have on file a certificate (dated no more than 90 days prior to the date of delivery of
374 such series of the Bonds) from a licensed professional engineer experienced in the design,
375 construction and operation of municipal utilities of scope similar to the System showing
376 that in his or her professional opinion the "annual income available for debt service on
377 Parity Bonds and Parity Lien Obligations" for each year during the life of such Parity
378 Lien Obligations shall be at least equal to 1.25 times the amount required to pay Annual
379 Debt Service in such year.

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

385 **SECTION 3. Authorization of Bonds.** To provide funds necessary to pay costs
386 of acquiring, constructing and equipping improvements, additions or betterments to the

387 System as set forth in the Comprehensive Plan, the county shall issue the Bonds in an
388 aggregate principal amount not to exceed \$220,000,000, and in one or more series as
389 provided in Section 22. Each series of the Bonds shall be designated as "King County,
390 Washington, Limited Tax General Obligation Bonds (Payable from Sewer Revenues)"
391 with an applicable year and series designation to be established as provided in Section 22
392 hereof. The Bonds shall be fully registered as to both principal and interest, shall be in
393 the denomination of \$5,000 each or any integral multiple thereof (but no Bond shall
394 represent more than one maturity), shall be numbered separately in such manner and with
395 any additional designation as the Bond Registrar deems necessary for purposes of
396 identification, and shall be dated as of such date and shall mature on the dates, in the
397 years and the amounts established as provided in Section 22 hereof.

398 Each series of the Bonds shall bear interest (computed on the basis of a 360-day
399 year of twelve 30-day months) from their date or from the most recent interest payment
400 date for which interest has been paid or duly provided for, whichever is later, payable on
401 interest payment dates and at the rate or rates established as provided in Section 22 hereof
402 and ratified and confirmed by a Sale Motion.

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

404 A. Registrar/Bond Register. In accordance with KCC 4.84, the county hereby
405 adopts for the Bonds the system of registration specified and approved by the
406 Washington State Finance Committee, which utilizes the fiscal agencies of the State of
407 Washington in Seattle, Washington, and New York, New York, as registrar,
408 authenticating agent, paying agent and transfer agent (collectively, the "Bond Registrar").
409 The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office,

410 sufficient books for the registration and transfer of the Bonds, which shall at all times be
411 open to inspection by the county. The Bond Registrar is authorized, on behalf of the
412 county, to authenticate and deliver the Bonds transferred or exchanged in accordance
413 with the provisions of such Bonds and this ordinance and to carry out all of the Bond
414 Registrar's powers and duties under this ordinance.

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

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

432 C. DTC Acceptance/Letters of Representations. The Bonds initially issued shall
433 be held in fully immobilized form by DTC acting as depository. To induce DTC to
434 accept the Bonds as eligible for deposit at DTC, the county has heretofore executed and
435 delivered to DTC a Blanket Issuer Letter of Representations.

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

448 D. Use of Depository.

449 (1) The Bonds shall be registered initially in the name of "Cede & Co.," as
450 nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds of
451 each series in a denomination corresponding to the total principal therein designated to
452 mature on such date. Registered ownership of such immobilized Bonds, or any portions
453 thereof, may not thereafter be transferred except (i) to any successor of DTC or its
454 nominee, provided that any such successor shall be qualified under any applicable laws to

455 provide the service proposed to be provided by it; (ii) to any substitute depository
456 appointed by the Council pursuant to subsection (2) below or such substitute depository's
457 successor; or (iii) to any person as provided in subsection (4) below.

458 (2) Upon the resignation of DTC or its successor (or any substitute depository or
459 its successor) from its functions as depository or a determination by the Council to
460 discontinue the system of book entry transfers through DTC or its successor (or any
461 substitute depository or its successor), the Council may hereafter appoint a substitute
462 depository. Any such substitute depository shall be qualified under any applicable laws
463 to provide the services proposed to be provided by it.

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

470 (4) In the event that (i) DTC or its successor (or substitute depository or its
471 successor) resigns from its functions as depository, and no substitute depository can be
472 obtained, or (ii) the Council determines that it is in the best interest of the beneficial
473 owners of any of the Bonds that they be able to obtain such Bonds in the form of bond
474 certificates, the ownership of Bonds may then be transferred to any person or entity as
475 herein provided, and the Bonds shall no longer be held in fully immobilized form. The
476 Council shall deliver a written request to the Bond Registrar, together with a supply of
477 definitive Bonds, to issue Bonds as herein provided in any authorized denomination.

478 Upon receipt of all then outstanding Bonds by the Bond Registrar together with a written
479 request on behalf of the Council to the Bond Registrar, new Bonds shall be issued in such
480 denominations and registered in the names of such persons as are requested in such
481 written request.

482 E. Transfer or Exchange of Registered Ownership; Change in Denominations.

483 The registered ownership of any Bond may be transferred or exchanged, but no transfer
484 of any Bond shall be valid unless it is surrendered to the Bond Registrar with the
485 assignment form appearing on such Bond duly executed by the Registered Owner or such
486 Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar.
487 Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall
488 authenticate and deliver, without charge to the Registered Owner or transferee therefor, a
489 new Bond (or Bonds at the option of the new Registered Owner) of the same series, date,
490 maturity and interest rate and for the same aggregate principal amount in any authorized
491 denomination, naming as Registered Owner the person or persons listed as the assignee
492 on the assignment form appearing on the surrendered Bond, in exchange for such
493 surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar
494 and exchanged, without charge, for an equal aggregate principal amount of Bonds of the
495 same series, date, maturity and interest rate, in any authorized denomination. The Bond
496 Registrar shall not be obligated to transfer or exchange any Bond during a period
497 beginning at the opening of business on the 15th day of the month next preceding any
498 interest payment date and ending at the close of business on such interest payment date,
499 or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the
500 call of such Bonds for redemption.

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

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

514 **SECTION 5. Redemption of Bonds; Open Market Purchases.** The county
515 may reserve the right to redeem outstanding Bonds prior to their maturity on the dates
516 and at the prices established as provided in Section 22 and ratified and confirmed by a
517 Sale Motion. Portions of the principal amount of any Bond, in increments of \$5,000 or
518 any integral multiple of \$5,000, may be redeemed.

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

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

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

531 **SECTION 6. Notice and Effect of Redemption.**

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

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

542 Each notice of redemption shall contain the following information: (1) the
543 redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be
544 redeemed, the identification (and, in the case of partial redemption, the principal
545 amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption
546 price will become due and payable upon each Bond or portion called for redemption, and

547 that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be
548 surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP
549 numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of
550 interest for each Bond being redeemed, (9) the date of the notice, and (10) any other
551 information needed to identify the Bonds being redeemed.

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

556 B. Effect of Redemption. Unless the county has revoked a notice of redemption,
557 the county shall transfer to the Bond Registrar amounts that, in addition to other money,
558 if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date,
559 all the Bonds to be redeemed. From the redemption date interest on each Bond to be
560 redeemed shall cease to accrue.

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

566 **SECTION 7. Form of Bonds; Execution of Bonds.** The Bonds shall be in
567 substantially the form set forth on Exhibit A of this Ordinance. The Bonds shall be
568 executed on behalf of the county with the manual or facsimile signatures of the county

569 executive and the clerk of the county council, and shall have the seal of the county
570 impressed or imprinted thereon.

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

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

586 **SECTION 8. Mutilated, Lost, or Destroyed Bonds.** If any Bond shall become
587 mutilated, the Bond Registrar shall authenticate and deliver a new Bond of like series,
588 amount, date, interest rate and tenor in exchange and substitution for the Bond so
589 mutilated, upon the owner's paying the expenses and charges of the county and the Bond
590 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond

591 so mutilated. Every mutilated Bond so surrendered shall be canceled and destroyed by
592 the Bond Registrar.

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

601 **SECTION 9. Bond Fund.** There has heretofore been created a special fund of
602 the county known as the "Water Quality Limited Tax General Obligation Bond
603 Redemption Fund" (the "Bond Fund"). The Bond Fund is at all times completely
604 segregated and set apart from all other funds and accounts of the county and is a trust
605 fund for the security and payment of the principal of and interest and any premium on the
606 Parity Lien Obligations. All money credited to the Bond Fund is pledged and ordered to
607 be used for the sole purpose of paying the principal of and interest and any premium on
608 the Parity Lien Obligations.

609 A. **Debt Service Account.** A "Debt Service Account" has heretofore been
610 established in the Bond Fund. The county hereby obligates and binds itself to cause to be
611 set aside and paid into said Account out of the Revenue of the System amounts sufficient,
612 together with accrued interest, if any, received at the time of delivery of the Bonds and
613 deposited therein, income from the investment of money in the Debt Service Account and

614 any other money on deposit in the Debt Service Account and legally available, to pay the
615 principal of and interest on outstanding Bonds as the same become due and payable.

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

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

626 B. Term Bond Payment Subaccount. A "Term Bond Payment Account" has
627 heretofore been established in the Bond Fund. The county shall deposit to the Term
628 Bond Payment Account, on or before any Term Bond payment date, out of the Revenue
629 of the System, additional money that together with available income from the investment
630 of money in the Term Bond Payment Account will be sufficient to retire by purchase or
631 by redemption pursuant to call any Parity Lien Obligations that are Term Bonds on or
632 before such payment date and in at least such principal amounts as shall be set forth in
633 the ordinance or motion authorizing, or the bid form or purchase contract for, such bonds.
634 The schedule of payment dates and principal amounts of any Bonds that are Term Bonds
635 shall be established as provided in Section 22 of this ordinance. The amounts so paid
636 into the Term Bond Payment Account shall be used for the sole purpose of purchasing or

637 redeeming Parity Lien Obligations that are Term Bonds on or before their respective
638 scheduled payment dates; provided, however, that if more than the required principal
639 amount of such Term Bonds is retired by such purchase or redemption in any given year,
640 the amount required to be purchased or redeemed in the next succeeding year or years
641 may be reduced accordingly.

642 If any Bonds are designated as Term Bonds pursuant to Section 22 hereof, there is
643 hereby authorized to be created a special subaccount for such series of the Bonds within
644 the Term Bond Payment Account. All money required by this Section 9.B of this
645 ordinance to be deposited into the Term Bond Payment Account for the purchase or
646 redemption of such series of Bonds that are Term Bonds shall be deposited into such
647 subaccount within the Term Bond Payment Account. Money in such subaccount shall be
648 treated in all respects as all other money in the Term Bond Payment Account but shall be
649 accounted for separately for the purpose of calculating any Rebate Amount payable with
650 respect to such series of the Bonds.

651 **SECTION 10. Pledge of Taxation and Credit.** The county hereby irrevocably
652 covenants and agrees for as long as any of the Bonds are outstanding and unpaid, that
653 each year it will include in its budget and levy an *ad valorem* tax upon all the property
654 within the county subject to taxation in an amount that will be sufficient, together with all
655 other revenues and money of the county legally available for such purposes, to pay the
656 principal of and interest on the Bonds as the same shall become due. All of such taxes so
657 collected shall be paid into the Bond Fund no later than the date such funds are required
658 for the payment of principal and interest on the Bonds.

659 The county hereby irrevocably pledges that the annual tax provided for herein to
660 be levied for the payment of such principal and interest shall be within and as a part of
661 the tax levy permitted to counties without a vote of the people, and that a sufficient
662 portion of each annual levy to be levied and collected by the county prior to the full
663 payment of the principal of and interest on the Bonds will be and is hereby irrevocably
664 set aside, pledged and appropriated for the payment of the principal of and interest on the
665 Bonds.

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

669 **SECTION 11. Pledge of Sewer Revenues.** The amounts covenanted to be paid
670 out of the Revenue of the System into the Bond Fund shall constitute a lien and charge on
671 such Revenue subject to Operating and Maintenance Expenses, and junior, subordinate
672 and inferior to the lien and charge on such Revenue for the payments required by the
673 Parity Bond Ordinances to be made into the Parity Bond Fund and the accounts therein,
674 and equal to the lien and charge on such Revenue of the payments required to be made by
675 the ordinances authorizing the issuance of the outstanding Parity Lien Obligations and
676 any additional Parity Lien Obligations, and superior to all other liens and charges on such
677 Revenue whatsoever.

678 **SECTION 12. Revenue Fund.** A special account of the county designated as the
679 "Water Quality Operating Account" (the "Revenue Fund") has heretofore been
680 established and maintained for the deposit of all Revenue of the System. All costs of

681 maintaining and operating the System borne by the county shall be paid out of the
682 Revenue Fund.

683 At such time as no 1995 Bonds remain outstanding, a special fund of the county
684 to be designated the "Sewer Rate Stabilization Fund" (the "Rate Stabilization Fund") has
685 heretofore been authorized to be established in anticipation of increases in revenue
686 requirements of the System. In accordance with the provisions of Section 13 of this
687 ordinance, the county may from time to time appropriate or budget amounts in the
688 Revenue Fund for deposit in the Rate Stabilization Fund and may from time to time
689 withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate
690 sewer rate increases or for other lawful purposes of the county related to the System.

691 **SECTION 13. Sewer Revenue Priorities of Payment.** So long as any Bond is
692 outstanding, the Revenue of the System shall be deposited into the Revenue Fund and
693 used and applied in the following order of priority:

694 First, to pay all Operating and Maintenance Expenses;

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

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

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

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

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

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

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

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

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

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

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

733 **SECTION 14. Construction Account; Disposition of Bond Proceeds.** There
734 has heretofore been created a special fund of the county known as the "Second Water
735 Quality Construction Account" (the "Construction Account"). For purposes of separately
736 accounting for investment earnings on proceeds of a series of Bonds to permit the
737 calculation of any Rebate Amount payable with respect to such series of Bonds, there is
738 hereby authorized to be established for each series of Bonds a subaccount within the
739 Construction Account to be designated as the Series [applicable year designation]
740 Construction Subaccount (each a "Construction Subaccount").

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

749 The proceeds of the Bonds shall be deposited as follows:

750 (i) The amount equal to the interest accrued on the Bonds, if any, from their
751 dated date to the date of their Closing shall be deposited in the subaccount for such Bonds
752 created in the Debt Service Account in the Bond Fund.

753 (ii) The balance of the proceeds of the Bonds shall be deposited in the
754 appropriate Construction Subaccount and applied as described above.

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

762 **SECTION 16. Rate Covenants.**

763 A. **Rate Covenant -- General.** The county hereby covenants with the owner of
764 each of the Bonds for so long as any of the same are outstanding that the county will at
765 all times establish, maintain and collect rates and charges for sewage disposal service that
766 shall be fair and nondiscriminatory and adequate to provide Revenue of the System
767 sufficient for the proper operation and maintenance of the System; for the punctual
768 payment of the principal of and interest on all outstanding Parity Bonds for which
769 payment has not otherwise been provided and all amounts that the county is obligated to
770 set aside in the Parity Bond Fund securing the Parity Bonds; for the punctual payment of
771 the principal of and interest on all outstanding Parity Lien Obligations and for all

772 amounts that the county is obligated to set aside in the Bond Fund; and for the payment
773 of any and all other amounts that the county is now or may hereafter become obligated to
774 pay from Revenue of the System.

775 B. Rate Covenant -- Coverage.

776 (i) Subject to the provisions of subparagraph (ii) of this Section 16(B), the
777 county hereby covenants with the owner of each of the Bonds for as long as any of the
778 same are outstanding that the county will at all times establish, maintain and collect rates
779 and charges for sewage disposal service that, together with the interest to be earned on
780 investments made of money in the Revenue Fund, Parity Bond Fund and the Bond Fund,
781 will provide in each calendar year Net Revenue in an amount equal to at least 1.15 times
782 the amounts required to pay the Annual Debt Service for such calendar year.

783 For the purpose of meeting the requirement of this Section 16.B, but only after
784 such time as no 1995 Bonds remain outstanding, there may be added to Revenue of the
785 System for any fiscal year any amount withdrawn from the Rate Stabilization Fund and
786 deposited in the Revenue Fund. There shall be subtracted from Net Revenue for any
787 fiscal year any amounts in such year withdrawn from the Revenue Fund and deposited
788 into the Rate Stabilization Fund in such fiscal year.

789 SECTION 17. Certain Other Covenants. The county makes the following
790 covenants and warranties:

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

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

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

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

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

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

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

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

825 I. The county will not sell or voluntarily dispose of all of the operating properties
826 of the System unless provision is made for payment into the Bond Fund of a sum
827 sufficient to pay the principal of and interest on all outstanding Bonds in accordance with
828 the terms thereof nor will it sell or voluntarily dispose of any part of the operating
829 properties of such System unless provision is made for payment into the Bond Fund of an
830 amount that will bear at least the same proportion to the amount of the outstanding Bonds
831 that the estimated amount of any resulting reduction in the Revenue of the System for the
832 twelve months following such sale or disposition bears to the Revenue of the System that
833 would have been realized if such sale or disposition had not been made. Such estimate
834 shall be made by a Professional Utility Consultant. Any money so paid into the Bond
835 Fund shall be used to retire outstanding Bonds as provided herein at the earliest possible
836 date.

837 From and after such time as no 1995 Bonds, 1996 Bonds and 1998 Bonds remain
838 outstanding, notwithstanding any other provision of this subsection I to the contrary, the

839 county may sell or otherwise dispose of any of the works, plant, properties and facilities
840 of the System or any real or personal property comprising a part of the System with a
841 value of less than 5% of the net utility plant of the System or which shall have become
842 unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or
843 no longer necessary, material to or useful in such operation, without making any deposit
844 into the Bond Fund.

845 J. The county will cause proper books of record and accounts of operation of the
846 System to be kept, including an annual financial report, and, so long as any 1995 Bonds,
847 1996 Bonds or 1998 Bonds remain outstanding, shall cause a quarterly financial and
848 operating statement to be prepared as soon as may be practicable following each
849 quarterly period for the preceding quarter's business and operation of the System. Said
850 statement shall be filed promptly upon its completion with the county council and shall
851 be sent to the Registered Owner of any Bonds upon written request being made therefor.
852 From and after such time as no 1995 Bonds, 1996 Bonds and 1998 Bonds remain
853 outstanding, this requirement for a quarterly report shall terminate.

854 K. Not later than 120 days after the end of each fiscal year of the county, so long
855 as any 1995 Bonds, 1996 Bonds or 1998 Bonds remain outstanding, the county will cause
856 an annual audit of the accounts and records of the System to be made by Certified Public
857 Accountants with experience in municipal utility accounting. Such audit shall certify as
858 to the compliance or noncompliance by the county with the financial covenants of this
859 ordinance and shall accurately and completely reflect the financial condition of the
860 System. The audit shall be delivered to the clerk of the county council, shall be paid for
861 by the county and shall be made available to the Registered Owner of any Bond upon

862 written request being made therefor. From and after such time as no 1995 Bonds, 1996
863 Bonds and 1998 Bonds remain outstanding, this requirement for an annual audit shall
864 terminate.

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

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

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

882 N. The county shall so operate and maintain the System and conduct its affairs as
883 to entitle it at all times to receive and enforce payment to it of sewage disposal charges
884 payable under any Service Agreement that the county has now or may hereafter enter into

885 and to entitle the county to collect all revenues derived from the operation of the System.
886 The county shall not release the obligations of any person, corporation or political
887 subdivision under such Service Agreements and shall at all times, to the extent permitted
888 by law, defend, enforce, preserve and protect the rights and privileges of the county and
889 of the holders of the Bonds under or with respect to such agreements.

890 O. Not later than 120 days after the end of each calendar year, so long as any
891 1995 Bonds, 1996 Bonds or 1998 Bonds remain outstanding, the county will cause an
892 annual report regarding the System to be prepared by its consulting engineers or by an
893 independent consulting engineer or engineering firm experienced in the design,
894 construction and operation of municipal utilities who shall examine the System and state
895 whether the county has maintained same in good repair, working order and condition and
896 has operated the business in connection therewith in an efficient manner, whether all
897 required insurance is being maintained, and whether repairs, renewals or replacements
898 should be made to the System to insure its continued satisfactory working order. The
899 engineer's report shall be delivered to the Clerk of the county council, shall be paid for by
900 the county and shall be made available to the Registered Owner of any Bonds upon
901 written request being made therefor.

902 From and after such time as no 1995 Bonds, 1996 Bonds and 1998 Bonds remain
903 outstanding, this requirement for an annual report shall terminate.

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

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

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

922 **SECTION 19. Additional Obligations of the System.**

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

929 B. Additional Parity Lien Obligations.

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

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

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

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

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

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

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

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

959 5. For each year following the proposed date of issuance of such Parity Lien
960 Obligations the engineer shall add to the annual revenue determined in the preceding four
961 paragraphs an estimate of the income to be received in each such year from the
962 investment of money in the Parity Bond Fund, the Bond Fund and the Construction Fund,
963 which will be determined by and in the sole discretion of a firm of nationally recognized
964 financial consultants selected by the county.

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

974 7. If extensions of or additions to the System are in the process of
975 construction at the time of such certificate, or if the proceeds of the Parity Lien

976 Obligations being issued are to be used to acquire or construct extensions of or additions
977 to the System, there shall be added to the annual net revenue as above determined any
978 revenue not included in the preceding paragraphs which will be derived from such
979 additions and extensions after deducting therefrom the estimated additional Operating
980 and Maintenance Expenses to be incurred as a result of such additions and extensions;
981 provided that such estimated annual revenue shall be based upon 75% of any estimated
982 Customer growth in the four years following the first full year in which such additional
983 revenue is to be collected and thereafter the estimated Customer growth shall not exceed
984 1/4 of 1% per year over and above such reduced estimate.

985 (d) From and after such time as no 1995 Bonds, 1996 Bonds and 1998 Bonds
986 remain outstanding, the certificate described in subparagraphs (b) and (c) above may be
987 prepared by a Professional Utility Consultant.

988 (e) From and after such time as no 1995 Bonds, 1996 Bonds and 1998 Bonds
989 remain outstanding, instead of the certificate described in subsection (d) above, the
990 county may elect to have on file a certificate of the Finance Director demonstrating that
991 during any 12 consecutive calendar months out of the immediately preceding 18 calendar
992 months Net Revenue was at least equal to 1.25 times the amount required to pay, in each
993 year that such Parity Lien Obligations would be outstanding, the Annual Debt Service for
994 such year.

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

996 (a) The county may at any time for the purpose of refunding at or prior to their
997 maturity any outstanding Parity Lien Obligations or any bonds or other obligations of the
998 county payable from Revenue of the System issue additional Parity Lien Obligations

999 without complying with the provisions of Section 19.B(i) hereof if there shall have been
1000 filed with the clerk of the county council a certificate of the Finance Director stating that
1001 immediately after the issuance of such Parity Lien Obligations the annual debt service for
1002 each year that Bonds and any other Parity Lien Obligations (other than the refunding
1003 bonds proposed to be issued) are then outstanding shall not be increased by more than
1004 \$5,000 by reason of the issuance of such Parity Lien Obligations.

1005 (b) The principal amount of such Parity Lien Obligations may include amounts
1006 necessary to pay the principal of the bonds or other obligations to be refunded, interest
1007 thereon to the date of payment or redemption thereof, any premium payable thereon upon
1008 such payment or redemption and the costs of issuance of such Parity Lien Obligations,
1009 and if there shall have been provided a Payment Agreement with respect to the
1010 obligations to be refunded, may include amounts necessary to make the payment of all
1011 amounts, if any, due and payable by the county under such Payment Agreement. The
1012 proceeds of such Parity Lien Obligations shall be held and applied in such manner,
1013 consistent with the provisions of Section 27 hereof, as is provided in the ordinance
1014 providing for the issuance of such Parity Lien Obligations, so that upon the delivery of
1015 such Parity Lien Obligations, the bonds or other obligations to be refunded thereby shall
1016 be deemed to be no longer outstanding in accordance with the ordinance authorizing their
1017 issuance.

1018 (c) At the election of the county, the provisions of this Section 19.B(2) shall
1019 not be applicable to the refunding at one time of all the Parity Lien Obligations then
1020 outstanding.

1021 (d) Additional Parity Lien Obligations for the purpose of refunding
1022 outstanding Parity Lien Obligations or bonds or other obligations of the county payable
1023 from Revenue of the System may also be issued upon compliance with the provisions of
1024 Section 19.B(i) hereof.

1025 (e) Nothing contained in this ordinance shall prohibit or prevent, or be deemed
1026 or construed to prohibit or prevent, the county from issuing Parity Lien Obligations to
1027 refund maturing Parity Lien Obligations of the county for the payment of which money is
1028 not otherwise available.

1029 C. Subordinate Obligations. Nothing in this ordinance shall prohibit, or be
1030 deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or
1031 other evidences of indebtedness for any purpose of the county related to the System
1032 payable in whole or in part from Revenue of the System and secured by a lien on such
1033 Revenue that is junior, subordinate and inferior to the lien of the Bonds.

1034 SECTION 20. Reimbursement Obligations. If the county elects to secure any
1035 Parity Lien Obligations with a Credit Facility, the county may contract with the entity
1036 providing such Credit Facility that the reimbursement obligation, if any, to such entity is
1037 a Parity Lien Obligation.

1038 SECTION 21. Payment Agreements.

1039 A. General. To the extent and for the purposes permitted from time to time by
1040 Chapter 39.96 RCW and other applicable provisions of State law, the county may enter
1041 into Parity Lien Obligation Payment Agreements, subject to the conditions set forth in
1042 this section and in other provisions of this ordinance.

1043 B. Manner and Schedule of Payments. Each Parity Lien Obligation Payment
1044 Agreement shall set forth the manner in which the Payment Agreement Payments and the
1045 Payment Agreement Receipts shall be calculated and a schedule of payment dates.

1046 C. Authorizing Ordinance. Prior to entering into a Parity Lien Obligation
1047 Payment Agreement, the county council shall pass an ordinance authorizing such
1048 agreement and setting forth such provisions as the county deems necessary or desirable
1049 and are not inconsistent with the provisions of this ordinance.

1050 D. Calculation of Payment Agreement Payments and Debt Service on Parity Lien
1051 Obligations With Respect to Which a Parity Lien Obligation Payment Agreement Is in
1052 Force. It is the intent of the county for purposes of Sections 16 or 19 of this ordinance
1053 that debt service on Parity Lien Obligations with respect to which a Parity Lien
1054 Obligation Payment Agreement is in force shall be calculated to reflect the net economic
1055 effect on the county intended to be produced by the terms of the Parity Lien Obligations
1056 and the terms of the Parity Lien Obligation Payment Agreement. In calculating such
1057 amounts, the county shall be guided by the following requirements.

1058 (i) The amount of interest deemed to be payable on any Parity Lien Obligations
1059 with respect to which a Parity Lien Obligation Payment Agreement is in force shall be an
1060 amount equal to the amount of interest that would be payable at the rate or rates stated in
1061 those Parity Lien Obligations plus Payment Agreement Payments minus Payment
1062 Agreement Receipts.

1063 (ii) For any period during which Payment Agreement Payments are not taken
1064 into account in calculating interest on any outstanding Parity Lien Obligations because
1065 the Parity Lien Obligation Payment Agreement is not then related to any outstanding

1066 Parity Lien Obligations, Payment Agreement Payments on that Parity Lien Obligation
1067 Payment Agreement shall be calculated based upon the following assumptions:

1068 (a) County Obligated to Make Payments Based on Fixed Rate. If the county is
1069 obligated to make Payment Agreement Payments based on a fixed rate and the Qualified
1070 Counterparty is obligated to make payments based on a variable rate index, payments by
1071 the county will be based on the assumed fixed payor rate, and payments by the Qualified
1072 Counterparty will be based on a rate equal to the average rate determined by the variable
1073 rate index specified by the Parity Lien Obligation Payment Agreement during the fiscal
1074 quarter preceding the quarter in which the calculation is made; and

1075 (b) County Obligated to Make Payments Based on Variable Rate Index. If the
1076 county is obligated to make Payment Agreement Payments based on a variable rate index
1077 and the Qualified Counterparty is obligated to make payments based on a fixed rate,
1078 payments by the county will be based on a rate equal to the average rate determined by
1079 the variable rate index specified by the Parity Lien Obligation Payment Agreement
1080 during the fiscal quarter preceding the quarter in which the calculation is made, and the
1081 Qualified Counterparty will make payments based on the fixed rate specified by the
1082 Parity Payment Agreement.

1083 E. Prior Notice to Moody's and Standard & Poor's. The county shall give notice
1084 to Moody's Investors Service and Standard & Poor's Ratings Services 30 days prior to the
1085 date it intends to enter into a Payment Agreement.

1086 **SECTION 22. Sale of Bonds.**

1087 A. Determination by Finance Director. The Finance Director shall determine, in
1088 consultation with the county's financial advisors, whether the Bonds shall be sold in one

1089 or more series and whether each such series of the Bonds shall be sold by negotiated sale
1090 or competitive bid and by current or future delivery. The authority to sell any of the
1091 Bonds authorized hereunder shall terminate one year from the effective date of this
1092 ordinance.

1093 B. Procedure for Negotiated Sale. If the Finance Director determines that any
1094 series of the Bonds shall be sold by negotiated sale, the Finance Director shall, in
1095 accordance with applicable county procurement procedures, solicit one or more
1096 underwriting firms with which to negotiate the sale of the Bonds. The purchase contract
1097 for any series of Bonds shall establish the date, principal amount, interest rates, maturity
1098 schedule, redemption and bond insurance provisions, and delivery date of the Bonds.
1099 The county council by a Sale Motion shall approve the bond purchase contract and ratify
1100 and confirm the terms for the series of Bonds established therein.

1101 C. Procedure for Sale by Competitive Bid. If the Finance Director determines
1102 that any series of the Bonds shall be sold by competitive bid, bids for the purchase of
1103 such Bonds shall be received at such time or place and by such means as the Finance
1104 Director shall direct. The Finance Director is authorized to prepare a notice of sale for
1105 such Bonds, establishing in such notice the date, principal amount, interest payment
1106 dates, maturity schedule and redemption and bond insurance provisions for such Bonds.
1107 The official notice of sale or an abridged form thereof shall be published in such
1108 newspapers or financial journals as may be deemed desirable or appropriate by the
1109 financial advisors to the county.

1110 Upon the date and time established for the receipt of bids for any series of the
1111 Bonds, the Finance Director or his designee shall review the bids, shall cause the bids to

1112 be mathematically verified and shall report to the county council regarding the bids
1113 received. Such bids shall then be considered and acted upon by the county council in an
1114 open public meeting. The county council reserves the right to reject any and all bids for
1115 such Bonds. The county council by a Sale Motion shall approve the sale of such Bonds
1116 and ratify and confirm the date, interest rates, maturity schedule and redemption and
1117 bond insurance provisions of such Bonds.

1118 **SECTION 23. Delivery of Bonds.** Following the sale of any series of the Bonds,
1119 the county shall cause definitive Bonds of such series to be prepared, executed and
1120 delivered, which Bonds shall be typewritten, lithographed or printed in a form acceptable
1121 to DTC as initial depository for the Bonds.

1122 If definitive Bonds are not ready for delivery by the date established for a
1123 Closing, then the Finance Director, upon the approval of the purchasers, may cause to be
1124 issued and delivered to the purchasers one or more temporary Bonds with appropriate
1125 omissions, changes and additions. Any temporary Bond or Bonds shall be entitled and
1126 subject to the same benefits and provisions of this ordinance with respect to the payment,
1127 security and obligation thereof as definitive Bonds authorized thereby. Such temporary
1128 Bond or Bonds shall be exchangeable without cost to the owners thereof for definitive
1129 Bonds when the latter are ready for delivery.

1130 **SECTION 24. Preliminary Official Statement; Final Official Statement.** The
1131 county hereby authorizes and directs the Finance Director: (i) to review and approve the
1132 information contained in the preliminary official statement (the "Preliminary Official
1133 Statement") prepared in connection with the sale of any series of the Bonds; and (ii) for
1134 the sole purpose of the Bond purchasers' compliance with Section (b)(1) of the Rule, to

1135 "deem final" that Preliminary Official Statement as of its date, except for the omission of
1136 information on offering prices, interest rates, selling compensation, delivery dates, bond
1137 insurance, any other terms or provisions required by the county to be specified in a
1138 competitive bid or bond purchase contract, ratings, other terms of such series of Bonds
1139 dependent on such matters, and the identity of the Bond purchaser. After a Preliminary
1140 Official Statement has been reviewed and approved in accordance with the provisions of
1141 this section, the county hereby authorizes distribution of the Preliminary Official
1142 Statement to prospective purchasers of such series of the Bonds.

1143 Following the sale of any series of the Bonds in accordance with this section, the
1144 Finance Director is hereby authorized to review and approve on behalf of the county a
1145 final official statement with respect to such Bonds. The county agrees to cooperate with
1146 the purchaser of such Bonds to deliver or cause to be delivered, within seven business
1147 days from the date of the Sale Motion and in sufficient time to accompany any
1148 confirmation that requests payment from any customer of the purchaser, copies of the
1149 final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule
1150 and the rules of the Municipal Securities Rulemaking Board ("MSRB").

1151 **SECTION 25. Undertaking to Provide Ongoing Disclosure.** In each Sale
1152 Motion, the county council will set forth an undertaking for ongoing disclosure with
1153 respect to such series of the Bonds, as required by Section (b)(5) of the Rule.

1154 **SECTION 26. General Authorization.** The appropriate county officials, agents
1155 and representatives are hereby authorized and directed to do everything necessary for the
1156 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and
1157 application of the proceeds of the sale thereof.

1158 SECTION 27. Investment of Funds and Accounts.

1159 A. Money in the Revenue Fund may be invested in any investments permitted for
1160 funds of the county.

1161 B. So long as any 1995 Bonds remain outstanding, money in the Bond Fund and
1162 accounts or subaccounts therein shall, as nearly as may be practicable, be invested (taking
1163 into consideration the dates and times when money in such funds, accounts or
1164 subaccounts will be required for the purposes of this ordinance) in (i) Government
1165 Obligations; (ii) any bond, debenture, note, participation or other similar obligation
1166 issued by any of the following federal agencies: Government National Mortgage
1167 Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate
1168 Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, Farmers' Home
1169 Administration, Resolution Funding Corporation and Export-Import Bank; (iii) if
1170 permitted by law, any bond, debenture, note, participation or other similar obligation
1171 issued by the Federal National Mortgage Association to the extent such obligations are
1172 guaranteed by the Government National Mortgage Association; and (iv) to the extent
1173 permitted by law, any obligation the interest on which is not included in gross income for
1174 federal income tax purposes and which is payable, as to both principal and interest, from
1175 the principal of and interest paid on obligations of the United States of America. From
1176 and after such time as no 1995 Bonds remain outstanding, money in the Bond Fund and
1177 accounts or subaccounts therein may be invested in any investments permitted for funds
1178 of the county.

1179 C. Obligations purchased as an investment of money in the Revenue Fund, Bond
1180 Fund and Construction Account and accounts or subaccounts therein shall be deemed at

1181 all times to be a part of such respective fund, account or subaccount and the income or
1182 interest earned, profits realized or losses suffered by a fund, account or subaccount due to
1183 the investment thereof shall be retained in, credited or charged, as the case may be, to
1184 such fund or account.

1185 D. In computing the amount in any fund or account under the provisions of this
1186 ordinance, obligations purchased as an investment of money therein shall be valued at the
1187 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1188 E. In lieu of the investments of money in obligations authorized in paragraphs A,
1189 B and C above, the county shall, to the extent permitted by law, deposit money from the
1190 Revenue Fund, Bond Fund or Construction Account and accounts or subaccounts therein,
1191 in interest-bearing time deposits, or shall make other similar investment arrangements,
1192 including, but not limited to, repurchase agreements covering obligations of issuers
1193 enumerated as authorized for investments pursuant to the provisions of Paragraph B
1194 above, with a member bank or banks of the Federal Reserve System or banks the deposits
1195 of which are insured by the Federal Deposit Insurance Corporation or securities dealers
1196 approved by the county; provided, that each such interest-bearing time deposit or other
1197 similar investment arrangement shall permit the money so placed to be available for use
1198 at the times provided with respect to the investment or reinvestment of such money; and
1199 provided, further, that all money in each such interest-bearing time deposit or other
1200 similar investment arrangement shall be continuously and fully secured by obligations of
1201 issuers enumerated as authorized for investments pursuant to the provisions of Paragraph
1202 B above, of a market value equal at all times to the amount of the deposit or of the other
1203 similar investment arrangement.

1204 **SECTION 28. Defeasance.** In the event that money and/or noncallable
1205 Government Obligations maturing at such time or times and bearing interest to be earned
1206 thereon in amounts (together with such money, if necessary) sufficient to redeem and
1207 retire, refund or defease part or all of the Bonds in accordance with their terms, are set
1208 aside in a special account of the county to effect such redemption and retirement, and
1209 such money and the principal of and interest on such Government Obligations are
1210 irrevocably set aside and pledged for such purpose, then no further payments need be
1211 made into the Bond Fund for the payment of the principal of and interest on the Bonds so
1212 provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of
1213 this ordinance except the right to receive the money so set aside and pledged, and such
1214 Bonds shall be deemed not to be outstanding hereunder.

1215 Within 30 days of the defeasance of any of the Bonds, the Bond Registrar shall
1216 provide notice of defeasance of such Bonds to the Registered Owners of the Bonds and to
1217 each NRMSIR and SID, if any, in accordance with the ongoing disclosure provision to be
1218 adopted by each Sale Motion.

1219 **SECTION 29. Supplemental Ordinances.** The county council from time to
1220 time and at any time may adopt an ordinance or ordinances supplemental to this
1221 ordinance which supplemental ordinance or ordinances thereafter shall become a part of
1222 this ordinance, for any one or more of the following purposes:

1223 A. To add to the covenants and agreements of the county in this ordinance such
1224 other covenants and agreements thereafter to be observed, which shall not adversely
1225 affect the interests of the holds and owners of any Parity Lien Obligations, or to surrender
1226 any right or power herein reserved to or conferred upon the county.

1227 B. To make such provisions for the purpose of curing any ambiguities or of
1228 curing, correcting or supplementing any defective provision contained in this ordinance
1229 or any ordinance authorizing future Parity Lien Obligations in regard to matters or
1230 questions arising under such ordinances as the county council may deem necessary or
1231 desirable and not inconsistent with such ordinances and which shall not adversely affect
1232 the interest of the holders and owners of Parity Lien Obligations.

1233 SECTION 30. Severability. The covenants contained in this ordinance shall
1234 constitute a contract between the county and the Owners of each and every Bond and
1235 between the county and any Qualified Counterparty to any Payment Agreement entered
1236 into in connection with the Bonds. If any one or more of the covenants or agreements
1237 provided in this ordinance to be performed on the part of the county by any court of
1238 competent jurisdiction to be contrary to law, then such covenant or covenants, agreement
1239 or agreements, shall be null and void and shall be deemed separable from the remaining
1240 covenants and agreements of this ordinance and shall in no way affect the validity of the
1241 other provisions of this ordinance or of the Bonds.

1242

SECTION 31. Effective Date. This ordinance shall be effective 10 days after its

1243

enactment, in accordance with Article II of the county charter.

1244

RECEIVED

2004 OCT -7 PM 12: 01

CLERK
KING COUNTY COUNCIL

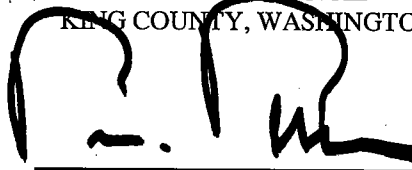
Ordinance 15033 was introduced on 7/19/2004 and passed by the Metropolitan King County Council on 10/4/2004, by the following vote:

Yes: 10 - Mr. von Reichbauer, Ms. Lambert, Mr. Pelz, Mr. McKenna, Mr. Hammond, Mr. Gossett, Ms. Hague, Mr. Irons, Ms. Patterson and Mr. Constantine

No: 0

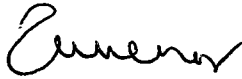
Excused: 3 - Mr. Phillips, Ms. Edmonds and Mr. Ferguson

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



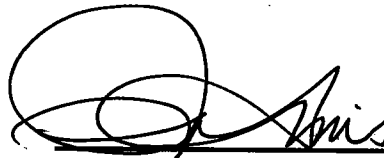
Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 10 day of OCTOBER 2004.



Ron Sims, County Executive

Attachments A. EXHIBIT A. Form of Bond

EXHIBIT A
FORM OF BOND

NO. _____

\$ _____

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

LIMITED TAX GENERAL OBLIGATION BOND

(PAYABLE FROM SEWER REVENUES), [applicable year] SERIES _____

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

Registered Owner:

Principal Amount:

KING COUNTY, WASHINGTON (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from _____ 1, 200__, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, _____, and semiannually thereafter on the first days of each succeeding _____ and _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. While bonds are held in an immobilized "book entry" system of registration, payments of principal thereof and interest thereon shall be made in accordance with the operational arrangements of The Depository Trust Company

("DTC") referred to in the Blanket Issuer Letter of Representations from the County to DTC. When bonds are no longer held in an immobilized "book entry" registration system, principal shall be paid to the Registered Owner or nominee of such owner upon presentation and surrender of this bond at either of the principal offices of the fiscal agency of the State of Washington in Seattle, Washington or New York, New York (collectively the "Bond Registrar"), and the interest shall be paid by mailing a check or draft (on the date such interest is due) to the Registered Owner or nominee of such owner at the address shown on the Bond Register as of the 15th day of the month prior to the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 par value of the Bonds, interest will be paid by wire transfer.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of \$_____ (the "Bonds"), and is issued to pay costs of acquiring and constructing improvements to the Sewer System of the County.

The Bonds are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington, the County Charter and applicable ordinances duly adopted by the County, including Ordinance ____ and Motion ____ of the County Council (together, the "Bond Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance.

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

The County has irrevocably covenanted 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 amounts sufficient to pay when due the principal of and interest on the Bonds. The pledge of revenues of the Sewer System constitutes a lien and charge on such revenues subject to prior application for Operating and Maintenance Expenses and subordinate to the lien and charge securing payment of the Parity Bonds, equal to the lien and charge securing the outstanding Parity Lien Obligations and any additional Parity Lien Obligations hereafter issued, and superior to any other charges whatsoever. The County has reserved the right to issue additional Parity Lien Obligations on the terms and conditions set forth in the Bond Ordinance.

The County has further pledged that it will cause the Sewer System to be maintained in good condition and repair and to be operated in an efficient manner and at a reasonable cost. The County has further pledged that it will at all times establish, maintain and collect adequate rates and charges for sewage disposal service as provided in the Bond Ordinance. Reference to the Bond Ordinance is made for a description of the

nature and extent of the security for the Bonds, the funds or revenues pledged, and the terms and conditions upon which such Bonds are issued.

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

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

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

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signatures of the County Executive and to be attested by the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as of this ____ day of _____, 200__.

KING COUNTY, WASHINGTON

By _____ /s/

King County Executive

ATTEST:

_____ /s/ _____

Clerk of the County Council

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

CERTIFICATE OF AUTHENTICATION

This is one of the Limited Tax General Obligation Bonds (Payable from Sewer Revenues), [applicable year] Series ____, of King County, Washington, dated _____, 200__.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____

Authorized Signatory

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

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT (TRANSFERS) MIN ACT - _____ Custodian _____

(Cust)

(Minor)

under Uniform Gifts (Transfers) to Minors Act

(State)

Additional abbreviations may also be used though not listed above.

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

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

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

DATED: _____, 200__.

NOTE: The signature on this Assignment
must correspond with the name of the
registered owner as it appears upon the face
of the within bond in every particular,

without alteration or enlargement or any
change whatever.

SIGNATURE GUARANTEED:

NOTICE: Signatures must be guaranteed
pursuant to law.