



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**June 17, 2008**

**Ordinance 16133**

**Proposed No.** 2008-0219.2

**Sponsors** Phillips

1 AN ORDINANCE providing long-term financing for capital  
2 needs of the county's sewer system by authorizing the issuance  
3 of sewer revenue bonds and/or limited tax general obligation  
4 bonds (payable from sewer revenues) of the county in the  
5 aggregate principal amount of not to exceed \$900,000,000 to  
6 provide funds for acquiring and constructing improvements to  
7 the sewer system and not to exceed \$200,000,000 of such  
8 bonds for refunding certain outstanding bonds of the county  
9 payable from sewer revenues; providing for the form, terms  
10 and covenants of such bonds; providing for the sale of the  
11 bonds in one or more series and for a plan of refunding;  
12 establishing funds for the receipt and expenditure of bond  
13 proceeds and for the payment of the bonds; pledging sewer  
14 revenues to pay the principal of and interest on any sewer  
15 revenue bonds issued hereunder; and pledging the annual levy  
16 of taxes and an additional pledge of sewer revenues to pay the

17 principal of and interest on any limited tax general obligation  
18 bonds (payable from sewer revenues) issued hereunder.

19

20 PREAMBLE:

21 The county owns and operates facilities for the conveyance and treatment  
22 of sewage and control of combined sewer overflows that include, but are  
23 not limited to, wastewater treatment plants, interceptor and trunk sewers,  
24 pumping stations, regulator stations, outfall sewers, storm sewers to divert  
25 stormwater from sanitary sewers, lands for application of biosolids,  
26 property rights, and buildings and other structures (collectively the "Sewer  
27 System" or the "System"), all in accordance with a comprehensive plan for  
28 metropolitan water pollution abatement under the authority of chapters  
29 36.56 and 35.58 of the Revised Code of Washington ("RCW").

30 Long term service agreements with participating municipalities (the  
31 "Participants") obligate the county to treat and dispose of sewage collected  
32 by the Participants. The Participants must pay the costs of such services  
33 including debt service on bonds payable from sewer revenues, including  
34 the bonds authorized herein, and other indebtedness payable from and  
35 secured by sewer revenues. Comparable rates and charge have been  
36 established for customers who deliver sewage to the System but are not  
37 subject to a contract with the county for such service.

38 In accordance with RCW 35.58.200(3), the county has declared that the  
39 health, safety and welfare of people within the metropolitan area require

40 that certain Participants discharge sewage collected by such Participants  
 41 into facilities of the System.

42 The county has issued the following series of sewer revenue bonds with a  
 43 senior lien on revenues of the Sewer System (the "Parity Bonds"):

| Designation      | Ordinance | Date of Issue | Outstanding           |                         |
|------------------|-----------|---------------|-----------------------|-------------------------|
|                  |           |               | Original<br>Principal | Principal<br>(4/1/2008) |
| 1999 (2nd) Bonds | 13650     | 11/01/1999    | \$ 60,000,000         | \$ 1,125,000            |
| 2001 Bonds       | 14225     | 11/28/2001    | 270,060,000           | 226,730,000             |
| 2002A Bonds      | 14406     | 8/14/2002     | 100,000,000           | 94,960,000              |
| 2002B Bonds      | 14406     | 10/03/2002    | 346,130,000           | 271,105,000             |
| 2003A Bonds      | 14406     | 4/24/2003     | 96,470,000            | 92,325,000              |
| 2004A Bonds      | 14753     | 3/18/2004     | 185,000,000           | 185,000,000             |
| 2004B Bonds      | 14753     | 3/18/2004     | 61,760,000            | 59,375,000              |
| 2006 Bonds       | 15385     | 5/16/2006     | 124,070,000           | 124,070,000             |
| 2006 (2nd) Bonds | 15385     | 11/30/2006    | 193,435,000           | 193,215,000             |
| 2007 Bonds       | 15758     | 6/26/2007     | 250,000,000           | 250,000,000             |

44 The county has issued the following series of limited tax general  
 45 obligation bonds additionally secured by a lien on revenues of the Sewer  
 46 System junior and subordinate to the lien thereon of the Parity Bonds (the  
 47 "Parity Lien Obligations"):

| <b>Designation</b> | <b>Ordinance</b> | <b>Date of Issue</b> | <b>Original<br/>Principal</b> | <b>Outstanding<br/>Principal<br/>(4/1/2008)</b> |
|--------------------|------------------|----------------------|-------------------------------|---|
| Series 2005        | 15033            | 4/21/2005            | 200,000,000                   | 200,000,000                                     |
| Series 2008        | 15779            | 2/12/2008            | 236,950,000                   | 236,950,000                                     |

48           The county may have opportunities to refund all or portions of the  
49           currently outstanding Parity Bonds and Parity Lien Obligations (the  
50           "Refunding Candidates") and thereby realize savings to the county and  
51           ratepayers of the Sewer System. It is deemed necessary and advisable that  
52           the county authorize the issuance and sale of not to exceed \$200,000,000  
53           principal amount of its bonds payable from sewer revenues (the  
54           "Refunding Bonds") for such refunding opportunities, as provided herein.  
55           It is deemed necessary and desirable that the county also authorize the  
56           issuance and sale of its bonds payable from sewer revenues in the  
57           aggregate principal amount of \$900,000,000 (the "Project Bonds") to pay  
58           costs of certain capital improvements to the System, in accordance with  
59           the Comprehensive Plan.  
60           Since market conditions can change quickly, it is in the best interest of the  
61           county to delegate to the county's Finance Director authority to sell the  
62           Refunding Bonds and the Project Bonds in one or more series, as either  
63           Parity Bonds or Parity Lien Obligations, or a combination thereof, by  
64           competitive bid or negotiated sale, as provided in this ordinance; provided

65 that the aggregate principal amount of Project Bonds shall not exceed  
66 \$900,000,000 and the aggregate principal amount of Refunding Bonds  
67 shall not exceed \$200,000,000, and provided further that the sale of any  
68 Series of the Bonds shall be ratified and confirmed by motion of the  
69 council, as provided herein.

70 The ordinances authorizing the issuance of the outstanding Parity Bonds  
71 and Parity Lien Obligations all provide that the county may issue  
72 additional Parity Bonds and additional Parity Lien Obligations if certain  
73 conditions are met. By each Sale Motion the county council shall find that  
74 the applicable parity conditions have been or will be met for each series of  
75 Bonds issued hereunder

76 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

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

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

87 straight-line interpolation as of the immediately preceding and the immediately  
88 succeeding compounding dates.

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

93 "Agency Customer" means any city, town, water-sewer district or other political  
94 subdivision, person, firm or private corporation that collects sewage from customers and  
95 disposes of any portion of that sewage into the Metropolitan Sewerage System and is not  
96 a Participant.

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

99 (1)The interest due for all outstanding Parity Bonds and Parity Lien Obligations  
100 (i) on all interest payment dates (other than January 1) in such calendar year, and (ii) on  
101 January 1 of the next succeeding year, and any Payment Agreement Payments due on  
102 such dates in respect of any Parity Payment Agreements and Parity Lien Obligation  
103 Payment Agreements, minus any Payment Agreement Receipts due in such period in  
104 respect of any Parity Payment Agreements and Parity Lien Obligation Payment  
105 Agreements.

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

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

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

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

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

132 forth in the ordinances authorizing issuance of such Parity Bonds or Parity Lien  
133 Obligations.

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

136 (1) The interest due for all outstanding Parity Bonds (i) on all interest payment  
137 dates (other than January 1) in such calendar year, and (ii) on January 1 of the next  
138 succeeding year, and any Payment Agreement Payments due on such dates in respect of  
139 Parity Payment Agreements, minus any Payment Agreement Receipts due in such period  
140 in respect of such Parity Payment Agreements.

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

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

152 (2) The principal due (at maturity or upon the mandatory redemption of Term  
153 Bonds prior to their maturity) for all outstanding Parity Bonds (i) on all principal



154 payment dates (other than January 1) of such calendar year and (ii) on January 1 of the  
155 next succeeding year.

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

161 Notwithstanding the foregoing, debt service on Parity Bonds with respect to  
162 which a Payment Agreement is in force shall be calculated by the county to reflect the net  
163 economic effect of the terms of the Parity Bonds and the applicable Payment Agreement,  
164 in accordance with the requirements set forth in Section 23 of this ordinance.

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

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

169 "Bond Registrar" means the fiscal agency of the State of Washington in either  
170 Seattle, Washington, or New York, New York, for the purposes of registering and  
171 authenticating the Bonds, maintaining the Bond Register, effecting the transfer of  
172 ownership of the Bonds and paying the principal of and interest and redemption  
173 premium, if any, on the Bonds.

174 "Bonds" means all or a portion of the Project Bonds or the Refunding Bonds  
175 issued pursuant to this ordinance.

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

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

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

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

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

196 "Commission" means the United States Securities and Exchange Commission.

197 "Comprehensive Plan" means the county's comprehensive water pollution  
198 abatement plan authorized by RCW 35.58.200 and defined in Section 28.82.150 of the

199 King County Code as the Comprehensive Sewage Disposal Plan adopted by Resolution  
200 No. 23 of the Metro Council on April 22, 1959, and all amendments thereto, together  
201 with any amendments hereafter approved by ordinance of the county.

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

204 "Credit Facility" means any letter of credit, standby bond purchase agreement,  
205 line of credit, surety bond, insurance policy or other insurance commitment or similar  
206 agreement (but not including a Payment Agreement), satisfactory to the county, that is  
207 provided by a commercial bank, insurance company or other financial institution with a  
208 current long term rating (or whose obligations thereunder are guaranteed by a financial  
209 institution with a long term rating): (i) from Moody's and S&P not lower, when issued,  
210 than the credit rating of any series of Parity Bonds, to provide support for a series of  
211 Parity Bonds, and shall include any substitute therefor in accordance with the provisions  
212 of the ordinance providing for the issuance of Parity Bonds supported by a Credit  
213 Facility, or (ii) from Fitch, Moody's and S&P not lower, when issued, than the credit  
214 rating of any series of Parity Lien Obligations, to provide support for a series of Parity  
215 Lien Obligations (including Variable Rate Parity Lien Obligations), and shall include any  
216 substitute therefor in accordance with the provisions of the ordinance providing for the  
217 issuance of Parity Lien Obligations supported by a Credit Facility.

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

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

221 "Escrow Agent" means each corporate trustee chosen pursuant to the provisions of  
222 Section 16 of this ordinance to serve as escrow agent in connection with the refunding of  
223 Refunded Bonds upon the issuance of any series of Refunding Bonds.

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

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

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

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

234 "Junior Lien Obligations" means the county's Junior Lien Variable Rate Demand  
235 Sewer Revenue Bonds, Series 2001A and Series 2001B, issued under date of August 15,  
236 2001, as authorized by Ordinances 14171 and 14172, the county's Junior Lien  
237 Multi-Modal Sewer Revenue Bonds, Series 2006A and 2006B, issued under date of  
238 October 4, 2006, as authorized by Ordinances 15584 and 15585, and any other revenue  
239 bonds or other revenue obligations having a lien on Revenue of the System equal to the  
240 lien thereon of such bonds.

241 "Moody's" means Moody's Investors Service, a corporation duly organized and  
242 existing under and by virtue of the laws of the State of Delaware, and its successors and  
243 assigns, except that if such corporation shall be dissolved or liquidated or shall no longer

244 perform the functions of a securities rating agency, then the term "Moody's" shall be  
245 deemed to refer to any other nationally recognized securities rating agency selected by  
246 the county.

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

249 "Net Revenue" means Revenue of the System less Operating and Maintenance  
250 Expenses.

251 "NRMSIR" means a nationally recognized municipal securities information  
252 repository.

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

258 "Parity Bond Fund" means the "Water Quality Revenue Bond Account"  
259 designated pursuant to Section 30 of Ordinance No. 12076 of the county for the purpose  
260 of paying and securing the payment of the Parity Bonds.

261 "Parity Bond Reserve Account" means the bond reserve account in the Parity  
262 Bond Fund securing the payment of the Parity Bonds.

263 "Parity Bonds" means the bonds identified as such in the Preamble to this  
264 ordinance, together with the Bonds and any Future Parity Bonds. "Parity Bonds" include  
265 any Parity Payment Agreements and parity reimbursement agreements entered into with  
266 the provider of a Credit Facility securing any Parity Bonds.

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

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

275 "Parity Lien Obligations" means bonds identified as such in the Preamble to this  
276 ordinance and any future Parity Lien Obligations. "Parity Lien Obligations" include any  
277 Parity Lien Obligation Payment Agreements and parity reimbursement agreements  
278 entered into with the provider of a Credit Facility securing any Parity Lien Obligations.

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

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

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

290 "Parity Lien Obligation Term Bonds" means Parity Lien Obligations that are  
291 Term Bonds.

292 "Participant" means each city, town, county, water-sewer district, municipal  
293 corporation, person, firm or private corporation that disposes of any portion of its sanitary  
294 sewage into the Sewer System and has entered into a Service Agreement with the county.

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

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

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

310 "Professional Utility Consultant" means a licensed professional engineer, a  
311 Certified Public Accountant, or other independent person(s) or firm(s) selected by the  
312 county having a favorable reputation for skill and experience with sewer systems of

313 comparable size and character to the System in such areas as are relevant to the purposes  
314 for which they are retained.

315 "Project Bonds" means the \$900,000,000 aggregate principal amount of bonds of  
316 the county authorized to be issued hereunder to pay costs of acquiring and constructing  
317 improvements to the System. The Project Bonds may be issued in one or more series of  
318 Parity Bonds or Parity Lien Obligations, as provided herein.

319 "Public Works Trust Fund Loans" means loans to the county by the State of  
320 Washington Department of Community, Trade and Economic Development under the  
321 Public Works Trust Fund loan program pursuant to loan agreements in effect as of the  
322 date of this ordinance and any loan agreements hereafter entered into by the county under  
323 the Public Works Trust Fund loan program, the repayment obligations of which are  
324 secured by a lien on Revenue of the System equal to the lien thereon established by such  
325 loan agreements.

326 "Qualified Counterparty" means with respect to a Payment Agreement an entity  
327 (i) whose senior long term debt obligations, other senior unsecured long term obligations  
328 or claims paying ability or whose payment obligations under a Payment Agreement are  
329 guaranteed by an entity whose senior long term debt obligations, other senior unsecured  
330 long term obligations or claims paying ability are rated (at the time the Payment  
331 Agreement is entered into) at least as high as A3 by Moody's and A- by S&P (and A- by  
332 Fitch for any Parity Lien Obligation Payment Agreement), or the equivalent thereof by  
333 any successor thereto, and (ii) who is otherwise qualified to act as the other party to a  
334 Payment Agreement under any applicable laws of the State.



335 "Qualified Insurance" means any unconditional municipal bond insurance policy  
336 or surety bond issued by any insurance company licensed to conduct an insurance  
337 business in any state of the United States or by a service corporation acting on behalf of  
338 one or more such insurance companies, which insurance company or service corporation  
339 is rated in one of the two highest rating categories by Moody's, S&P, and any other rating  
340 agency then maintaining a rating on the Parity Bonds, provided, that, as of the time of  
341 issuance of such policy or surety bond, such insurance company or companies maintain a  
342 policy owner's surplus in excess of \$500,000,000.

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

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

351 "RCW" means the Revised Code of Washington.

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

355 "Refunded Bonds" means with respect to each series of Refunding Bonds, those  
356 Refunding Candidates that shall be refunded from proceeds of such series of Refunding

357 Bonds, as determined by the Finance Manager pursuant to Sections 16 and 28 hereof and  
358 set forth in a Sale Motion in accordance with Sections 16 and 28 hereof.

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

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

363 "Refunding Bonds" means not to exceed \$200,000,000 principal amount of bonds  
364 authorized to be issued in one or more series by this ordinance to refund the Refunded  
365 Bonds. The Refunding Bonds may be issued in one or more series of Parity Bonds or  
366 Parity Lien Obligations, as provided herein.

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

369 "Reserve Requirement" means maximum Annual Parity Debt Service with respect  
370 to any calendar year.

371 "Revenue Fund" means the "Water Quality Operating Account" as designated by  
372 Section 30 of Ordinance 12076 of the county.

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

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

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

386 "Sale Motion" means a motion of the county council approving each sale of a  
387 series of the Bonds and ratifying and confirming each plan of refunding any Refunded  
388 Bonds, in accordance with Sections 16 and 28 hereof.

389 "Service Agreements" means the sewage disposal agreements entered into  
390 between the county and municipal corporations, persons, firms, private corporations, or  
391 governmental agencies providing for the disposal by the county of sewage collected from  
392 such contracting parties.

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

395 "SRF Loans" means loans to the county by the State of Washington Department  
396 of Ecology pursuant to loan agreements in effect as of the date of this ordinance and any  
397 loans and loan agreements hereafter entered into by the county under the State of  
398 Washington water pollution control revolving fund loan program, the repayment  
399 obligations of which are secured by a lien on Revenue of the System equal to the lien  
400 thereon established by such loan agreements.

401 "State" means the State of Washington.

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

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

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

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

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

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

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

434 SECTION 2. Findings. Because conditions in the capital markets are volatile,  
435 the council finds that it is in the best interests of the county and ratepayers of the System  
436 that the county retain the flexibility to issue the Bonds in one or more series, as Parity  
437 Bonds or Parity Lien Obligations, to maximize interest rate savings and, where possible,  
438 to achieve further savings by refunding all or some of the Refunding Candidates. To  
439 achieve this flexibility, the council further finds that it is in the best interests of the  
440 county and ratepayers of the System that a plan of refunding and the sale of the Bonds in  
441 one or more series, as Parity Bonds or Parity Lien Obligations, by competitive bid or  
442 negotiated sale, for current or future delivery, be determined by the Finance Director, in  
443 consultation with the county's financial advisors. Each sale of a series of Bonds and plan  
444 of refunding, will be ratified and confirmed by the council in a Sale Motion.

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

447 System set forth in the Comprehensive Plan, the county shall issue the Project Bonds in  
448 the aggregate principal amount of \$900,000,000.

449 To provide funds to refund the Refunded Bonds, the county shall issue one or  
450 more series of Refunding Bonds in principal amounts to be established as provided in  
451 Sections 16 and 28 hereof and in any event not to exceed an aggregate principal amount  
452 of \$200,000,000.

453 The Refunding Bonds and Project Bonds may be issued and sold in one or more  
454 series of Parity Bonds or Parity Lien Obligations, as provided in Section 28, each such  
455 series of Parity Bonds to be designated as "King County, Washington, Sewer Revenue  
456 [and Refunding] Bonds" with an applicable year and series designation, and each such  
457 series of Parity Lien Obligations to be designated as "King County Limited Tax General  
458 Obligations [and Refunding] Bonds (Payable from Sewer Revenue)" with an applicable  
459 year and series description. The Bonds shall be fully registered as to both principal and  
460 interest, shall be in the denomination of \$5,000 each or any integral multiple thereof (but  
461 no Bond shall represent more than one maturity), shall be numbered separately in such  
462 manner and with any additional designation as the Bond Registrar deems necessary for  
463 purposes of identification, and shall be dated as of such date and shall mature on the  
464 dates, in the years and the amounts established as provided in Section 28 hereof.

465 Each series of the Bonds shall bear interest (computed on the basis of a 360-day  
466 year of twelve 30-day months) from their date or from the most recent interest payment  
467 date for which interest has been paid or duly provided for, whichever is later, payable on  
468 interest payment dates and at the rate or rates established as provided in Section 28 hereof

469 and ratified and confirmed by a Sale Motion. The Accreted Values of any Bonds that are  
470 Capital Appreciation Bonds shall be set forth in a Sale Motion.

471 SECTION 4. Registration, Exchange and Payments.

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

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

489 B. Registered Ownership. The county and the Bond Registrar, each in its  
490 discretion, may deem and treat the Registered Owner of each Bond as the absolute owner  
491 thereof for all purposes, and neither the county nor the Bond Registrar shall be affected

492 by any notice to the contrary. Payment of any such Bond shall be made only as described  
493 in Section 4.G hereof, but such registration may be transferred as herein provided. All  
494 such payments made as described in Section 4.G shall be valid and shall satisfy and  
495 discharge the liability of the county upon such Bond to the extent of the amount or  
496 amounts so paid. The county and the Bond Registrar shall be entitled to treat the person  
497 in whose name any Bond is registered as the absolute owner thereof for all purposes of  
498 this ordinance and any applicable laws, notwithstanding any notice to the contrary  
499 received by the Bond Registrar or the county.

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

504 Neither the county nor the Bond Registrar will have any responsibility or  
505 obligation to DTC participants or the persons for whom they act as nominees with respect  
506 to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC  
507 participant, the payment by DTC or any DTC participant of any amount in respect of the  
508 principal of or interest on the Bonds, any notice which is permitted or required to be  
509 given to Registered Owners under this ordinance (except such notices as shall be required  
510 to be given by the county to the Bond Registrar or to DTC), or any consent given or other  
511 action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully  
512 immobilized form hereunder, DTC or its successor depository shall be deemed to be the  
513 Registered Owner for all purposes hereunder, and all references herein to the Registered



514 Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial  
515 interest in the Bonds.

516 D. Use of Depository.

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

526 (2) Upon the resignation of DTC or its successor (or any substitute depository or  
527 its successor) from its functions as depository or a determination by the county to  
528 discontinue the system of book entry transfers through DTC or its successor (or any  
529 substitute depository or its successor), the county may hereafter appoint a substitute  
530 depository. Any such substitute depository shall be qualified under any applicable laws  
531 to provide the services proposed to be provided by it.

532 (3) In the case of any transfer pursuant to clause (i) or (ii) of subsection (1)  
533 above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a  
534 written request on behalf of the county, issue a single new Bond for each maturity of such  
535 Bonds then outstanding, registered in the name of such successor or such substitute

536 depository, or their nominees, as the case may be, all as specified in such written request  
537 of the county.

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

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

551 The registered ownership of any Bond may be transferred or exchanged, but no transfer  
552 of any Bond shall be valid unless it is surrendered to the Bond Registrar with the  
553 assignment form appearing on such Bond duly executed by the Registered Owner or such  
554 Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar.  
555 Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall  
556 authenticate and deliver, without charge to the Registered Owner or transferee therefor, a  
557 new Bond (or Bonds at the option of the new Registered Owner) of the same series, date,  
558 maturity and interest rate and for the same aggregate principal amount in any authorized

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

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

572 G. Place and Medium of Payment. Both principal of and interest on the Bonds  
573 shall be payable in lawful money of the United States of America. For so long as all  
574 Bonds are in fully immobilized form, payments of principal and interest thereon shall be  
575 made as provided in accordance with the operational arrangements of DTC referred to in  
576 the Letter of Representations. In the event that the Bonds are no longer held in fully  
577 immobilized form, interest on the Bonds shall be paid by check or draft mailed to the  
578 Registered Owners at the addresses for such Registered Owners appearing on the Bond  
579 Register on the 15th day of the month preceding the interest payment date; provided,  
580 however, that if so requested in writing by the Registered Owner of at least \$1,000,000  
581 principal amount of a series of Bonds, interest will be paid by wire transfer on the interest

582 payment date to an account with a bank located within the United States. Principal of the  
583 Bonds shall be payable upon presentation and surrender of such Bonds by the Registered  
584 Owners at the principal office of the Bond Registrar.

585 **SECTION 5. Redemption of Bonds; Open Market Purchases.** The county  
586 may reserve the right to redeem outstanding Bonds prior to their maturity on the dates  
587 and at the prices established as provided in Section 28 hereof and ratified and confirmed  
588 by a Sale Motion. Portions of the principal amount of any Bond, in increments of \$5,000  
589 or any integral multiple of \$5,000, may be redeemed.

590 If less than all of the Bonds subject to optional redemption are called for  
591 redemption, the county shall choose the maturities to be redeemed. If less than a whole  
592 of a maturity is called for redemption, the Bonds to be redeemed shall be chosen at  
593 random by the Bond Registrar (or in such other manner as the Bond Registrar may  
594 determine) or, so long as the Bonds are registered in the name of CEDE & CO. or its  
595 registered assign, the Bonds to be redeemed shall be chosen in accordance with the  
596 operational arrangements in effect of DTC.

597 If less than all of the principal amount of any Bond is redeemed, upon surrender  
598 of such Bond at the principal office of the Bond Registrar there shall be issued to the  
599 Registered Owner, without charge therefor, for the then unredeemed balance of the  
600 principal amount thereof, a new Bond or Bonds, at the option of the Registered Owner, of  
601 like maturity and interest rate in any denomination authorized by this ordinance.

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

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

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

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

615           Each notice of redemption shall contain the following information: (1) the  
616 redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be  
617 redeemed, the identification (and, in the case of partial redemption, the principal  
618 amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption  
619 price will become due and payable upon each Bond or portion called for redemption, and  
620 that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be  
621 surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP  
622 numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of  
623 interest for each Bond being redeemed, (9) the date of the notice, (10) information  
624 regarding the county's right to cancel an optional redemption prior to the designated  
625 redemption date by giving notice of such cancellation, and (11) any other information  
626 relating to the redemption or to the Bonds being redeemed.

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

631           B. Cancellation of Redemption. The county may cancel any notice of an optional  
632           redemption of Bonds by giving written notice of such cancellation no later than seven  
633           days prior to the designated redemption date to all parties who were given notice of  
634           redemption in the in the same manner as such notice was given.

635           C. Effect of Redemption. Unless the county has cancelled a notice of  
636           redemption, the county shall transfer to the Bond Registrar amounts that, in addition to  
637           other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the  
638           redemption date, all the Bonds to be redeemed. From the redemption date interest on  
639           each Bond to be redeemed shall cease to accrue.

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

645           SECTION 7. Form of Bonds; Execution of Bonds. The Bonds shall be in  
646           substantially the form set forth in Exhibit A of this ordinance. The Bonds shall be  
647           executed on behalf of the county with the manual or facsimile signatures of the county  
648           executive and the clerk of the county council, and shall have the seal of the county  
649           impressed or imprinted thereon.

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

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

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

672 In case the Bonds or any of them shall be lost, stolen or destroyed, the Bond  
673 Registrar may authenticate and deliver a new Bond or Bonds of like series, amount, date,  
674 and tenor to the Registered Owner thereof upon the owner's paying the expenses and  
675 charges of the county and the Bond Registrar in connection therewith and upon his/her  
676 filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such Bond  
677 or Bonds were actually lost, stolen or destroyed and of his/her ownership thereof, and  
678 upon furnishing the county and Bond Registrar with indemnity satisfactory to the Finance  
679 Director and the Bond Registrar.

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

688 A. Debt Service Account. A "Debt Service Account" has heretofore been  
689 established in the Parity Bond Fund. The county hereby obligates and binds itself to set  
690 aside and pay into said account out of the Revenue of the System amounts sufficient,  
691 together with accrued interest, if any, received at the time of delivery of any series of  
692 Parity Bonds that are Parity Bonds and deposited therein, income from the investment of  
693 money in the Debt Service Account and Parity Bond Reserve Account, and any other



694 money on deposit in the Debt Service Account and legally available, to pay the principal  
695 of and interest on outstanding Parity Bonds as the same become due and payable.

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

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

707 B. Term Bond Provisions. If any Bonds issued as Parity Bonds are designated as  
708 Term Bonds pursuant to Section 28 hereof, the Sale Motion for such series of Bonds shall  
709 set forth a mandatory redemption schedule to amortize the principal of such Parity Term  
710 Bonds. Payments of principal of Parity Term Bonds under any such mandatory  
711 redemption schedule shall be made from the Debt Service Account, as provided in  
712 Section 9.A above; provided, however, that if more than the required principal amount of  
713 such Parity Term Bonds is retired by purchase or optional redemption in any given year,  
714 the mandatory redemption amount in the next succeeding year or years may be reduced  
715 accordingly.

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

721           C. Parity Bond Reserve Account. A Parity Bond Reserve Account has heretofore  
722 been established in the Parity Bond Fund. The county hereby pledges that it will pay into  
723 and maintain in the Parity Bond Reserve Account an amount that together with other funds  
724 in the Parity Bond Reserve Account will be at least equal to the Reserve Requirement. The  
725 county may substitute Qualified Insurance or a Qualified Letter of Credit for amounts  
726 required to be paid into or maintained in the Parity Bond Reserve Account. Such  
727 Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five  
728 years' notice. In the event of any cancellation, the Parity Bond Reserve Account shall be  
729 funded in accordance with the provisions of this section providing for payment in the  
730 event of a deficiency therein, as if the Parity Bonds that remain outstanding had been  
731 issued on the date of such notice of cancellation.

732           An amount sufficient to establish the Reserve Requirement in the Parity Bond  
733 Reserve Account required by the issuance of each series of the Bonds that are Parity Bonds  
734 shall be deposited therein from the proceeds of Parity Bonds or other funds available  
735 therefor on the date of Closing or shall be provided for by Qualified Insurance or a Qualified  
736 Letter of Credit, as herein permitted. Within one year following the issuance of any Future  
737 Parity Bonds (or upon the issuance of such Future Parity Bonds, if required by the terms of  
738 the sale of such Future Parity Bonds or by the terms of any agreement with a provider of

739 Qualified Insurance or a Qualified Letter of Credit then securing any Parity Bonds), the  
740 amounts required to be paid into the Parity Bond Reserve Account to establish the Reserve  
741 Requirement therein shall be paid from Revenue of the System, proceeds of such Future  
742 Parity Bonds, or other funds available therefor, or provided for by Qualified Insurance or a  
743 Qualified Letter of Credit.

744 In the event there shall be a deficiency in the Debt Service Account to make any  
745 payment when due of either principal of or interest on any Parity Bonds, such deficiency  
746 shall be made up from the Parity Bond Reserve Account by the withdrawal of money  
747 therefrom and by the sale or redemption of obligations held in the Parity Bond Reserve  
748 Account, if necessary, in such amounts as will provide cash in the Parity Bond Reserve  
749 Account sufficient to make up any such deficiency. If a deficiency still exists  
750 immediately prior to an interest payment date and after the withdrawal of cash, the  
751 county shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other  
752 equivalent credit facility in sufficient amount to make up the deficiency. Such draw shall  
753 be made at such times and under such conditions as the agreement for such Qualified  
754 Letter of Credit or such Qualified Insurance shall provide. If more than one Qualified  
755 Letter of Credit or Qualified Insurance is available, draws shall be made ratably thereon  
756 to make up the deficiency. Any deficiency created in the Parity Bond Reserve Account by  
757 reason of any such withdrawal shall then be made up from the Revenue of the System that  
758 shall be available after first making the payments required to be made under paragraph  
759 "FIRST" through "THIRD" of Section 14 hereof.

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

762            SECTION 10. Parity Lien Obligation Bond Fund. There has heretofore been  
763 created a special fund of the county known as the "Water Quality Limited Tax General  
764 Obligation Bond Redemption Fund" (the "Parity Lien Obligation Bond Fund"). The  
765 Parity Lien Obligation Bond Fund is at all times completely segregated and set apart from  
766 all other funds and accounts of the county and is a trust fund for the security and payment  
767 of the principal of and interest and any redemption premium on the Parity Lien  
768 Obligations. All money credited to the Parity Lien Obligation Bond Fund is pledged and  
769 ordered to be used for the sole purpose of paying the principal of and interest and any  
770 redemption premium on the Parity Lien Obligations.

771            A. Debt Service Account. A "Debt Service Account" has heretofore been  
772 established in the Parity Lien Obligation Bond Fund. The county hereby obligates and  
773 binds itself to set aside and pay into said Account out of the Revenue of the System  
774 amounts sufficient, together with accrued interest, if any, received at the time of delivery  
775 of any series of Bonds issued as Parity Lien Obligations and deposited therein, income  
776 from the investment of money in the Debt Service Account and any other money on  
777 deposit in the Debt Service Account and legally available, to pay the principal of and  
778 interest on outstanding Parity Lien Obligations as the same become due and payable.

779            For each series of the Bonds issued as Parity Lien Obligations, there is hereby  
780 authorized to be created a special subaccount in the Debt Service Account. All money  
781 required by this Section 10.A to be deposited into the Debt Service Account for the  
782 payment of principal of and interest on such series of the Bonds shall be deposited into  
783 the subaccount created for such series. Money in such subaccount shall be treated in all  
784 respects as all other money in the Debt Service Account, but shall be accounted for

785 separately for the purpose of calculating any Rebate Amount payable with respect to such  
786 series of the Bonds.

787           Payments on account of each series of the Bonds issued as Parity Lien  
788 Obligations shall be made out of the Revenue of the System into the applicable debt  
789 service subaccount in the Parity Lien Obligation Bond Fund on or before the day each  
790 payment of interest on or principal of such Bonds is due.

791           B. Term Bond Provisions. If any Bonds issued as Parity Lien Obligations are  
792 designated as Term Bonds pursuant to Section 28 hereof, the Sale Motion for such series  
793 of Bonds shall set forth a mandatory redemption schedule to amortize the principal of  
794 such Parity Lien Obligation Term Bonds. Payments of principal of Parity Lien  
795 Obligation Term Bonds under any such mandatory redemption schedule shall be made  
796 from the Debt Service Account, as provided in Section 10.A above; provided, however,  
797 that if more than the required principal amount of such Parity Lien Obligation Term  
798 Bonds is retired by purchase or optional redemption in any given year, the mandatory  
799 redemption amount in the next succeeding year or years may be reduced accordingly.

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

805           SECTION 11. Pledge of Taxation and Credit. The county hereby irrevocably  
806 covenants and agrees for as long as any Bonds issued as Parity Lien Obligations are  
807 outstanding and unpaid, that each year it will include in its budget and levy an ad valorem

808 tax upon all the property within the county subject to taxation in an amount that will be  
809 sufficient, together with all other revenues and money of the county legally available for  
810 such purposes, to pay the principal of and interest on such Bonds issued as Parity Lien  
811 Obligations as the same shall become due. All of such taxes so collected shall be paid  
812 into the Parity Lien Obligation Bond Fund no later than the date such funds are required  
813 for the payment of principal and interest on such Bonds issued as Parity Lien Obligations.

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

821         The full faith, credit and resources of the county are hereby irrevocably pledged  
822 for the annual levy and collection of said taxes and for the prompt payment of the  
823 principal of and interest on such Bonds issued as Parity Lien Obligations as the same  
824 shall become due.

825         Any Bonds issued hereunder as Parity Bonds are not general obligations of the  
826 county, and no pledge of taxes secures the payment of any such Bonds issued as Parity  
827 Bonds hereunder.

828         **SECTION 12. Pledge of Sewer Revenues.**

829         A. Parity Bonds. The amounts covenanted to be paid out of the Revenue of the  
830 System into the Bond Fund and the accounts therein shall constitute a lien and charge on

831 such revenue superior to all other charges of any kind or nature except Operating and  
832 Maintenance Expenses, and of equal lien to any charges heretofore or hereafter made  
833 upon the Revenue of the System for the payment of the principal of and interest on any  
834 Parity Bonds.

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

841 B. Parity Lien Obligations. The amounts covenanted to be paid out of the  
842 Revenue of the System into the Parity Lien Obligation Bond Fund and the accounts  
843 therein shall constitute a lien and charge on such Revenue subject to Operating and  
844 Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on  
845 such Revenue for the payments required by the ordinances authorizing the Parity Bonds  
846 to be made into the Parity Bond Fund and the accounts therein, and equal to the lien and  
847 charge on such Revenue of the payments required to be made by the ordinances  
848 authorizing the issuance of the outstanding Parity Lien Obligations and any additional  
849 Parity Lien Obligations, and superior to all other liens and charges on such Revenue  
850 whatsoever.

851 SECTION 13. Revenue Fund. There has heretofore been created a special fund  
852 of the county known as the "Water Quality Operating Account" (the "Revenue Fund").  
853 All of the Revenue of the System shall be deposited in the Revenue Fund. All Operating

854 and Maintenance Expenses shall be paid out of the Revenue Fund or appropriate reserves  
855 therein.

856 A special fund of the county designated as the "Sewer Rate Stabilization Fund"  
857 (the "Rate Stabilization Fund") has been established in anticipation of increases in  
858 revenue requirements of the System. In accordance with the provisions of Section 14 of  
859 this ordinance, the county may from time to time appropriate or budget amounts in the  
860 Revenue Fund for deposit in the Rate Stabilization Fund and may from time to time  
861 withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate  
862 sewer rate increases or for other lawful purposes of the county related to the System.

863 **SECTION 14. Sewer Revenue Priorities of Payment.** So long as any Bond  
864 shall be outstanding, the Revenue of the System shall be deposited into the Revenue Fund  
865 and used and applied in the following order of priority:

866 First, to pay all Operating and Maintenance Expenses;

867 Second, to make all required deposits into the Debt Service Account in the Parity  
868 Bond Fund to provide for the payment of principal of and interest on Parity Bonds as the  
869 same shall become due and payable and to make any Payment Agreement Payments with  
870 respect to any Parity Payment Agreements;

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



876            Fourth, to establish and maintain the Parity Bond Reserve Account (including  
877 making deposits into such Account and paying the costs of obtaining Qualified Insurance  
878 or a Qualified Letter of Credit therefor);

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

882            Sixth, to make all required payments of principal of and interest on the Junior  
883 Lien Obligations as the same shall become due and payable, to make all Payment  
884 Agreement Payments with respect to any Payment Agreements entered into with respect  
885 to Junior Lien Obligations, and to make any payments required to be made to providers  
886 of any credit enhancement or liquidity facilities for Junior Lien Obligations;

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

889            Eighth, to make all required payments of principal and interest on bonds, notes,  
890 warrants and other evidences of indebtedness, the lien and charge against Revenue of the  
891 System of which is junior and inferior to the Subordinate Lien Obligations, as the same  
892 shall become due and payable;

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

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

897            Any surplus money that the county may have on hand in the Revenue Fund after  
898 making all required payments set forth above may be used by the county (i) to make

899 necessary improvements, additions and repairs to and extensions and replacements of the  
900 System, (ii) to purchase or redeem and retire outstanding sewer revenue bonds of the  
901 county, (iii) to make deposits into the Rate Stabilization Fund, or (iv) for any other lawful  
902 purposes of the county related to the System.

903 **SECTION 15. Construction Account; Disposition of Bond Proceeds.**

904 A. Construction Account. There has heretofore been created a special fund of the  
905 county known as the "Second Water Quality Construction Account" (the "Construction  
906 Account"). For purposes of separately accounting for investment earnings on the  
907 proceeds of the Bonds to facilitate compliance with the requirements of Section 21 of this  
908 ordinance, there is hereby established for each series of Bonds issued hereunder a special  
909 subaccount within the Construction Account to be designated as the "Series [applicable  
910 year designation] Construction Subaccount" (each a "Construction Subaccount").

911 Money in each Construction Subaccount shall be held and applied to pay costs of  
912 acquiring, constructing and equipping improvements, additions or betterments to the  
913 System set forth in the Comprehensive Plan and all costs incidental thereto, including but  
914 not limited to engineering, architectural, planning, financial, legal, urban design or any  
915 other incidental costs, and to repay any advances heretofore or hereafter made on account  
916 of such costs, provided that if deficiencies exist in the Parity Bond Fund or Parity Lien  
917 Obligation Bond Fund , money in any Construction Subaccount may be transferred to  
918 such Fund in such amounts as shall be necessary to pay principal of and interest on the  
919 Bonds. Pursuant to a Sale Motion, proceeds of a series of Bonds may be designated to  
920 pay capitalized interest on such Bonds and may be held in the applicable Construction

921 Subaccount or in a trust account to be established with an escrow agent appointed by the  
922 Finance Director, as provided in such Sale Motion.

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

925 (1) The amount equal to the interest, if any, accruing on each series of the  
926 Bonds from their dated date to the date of their Closing shall be deposited in the  
927 appropriate subaccount for such series created in the Debt Service Account in the Parity  
928 Bond Fund or Parity Lien Obligation Bond Fund, as applicable.

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

932 (3) The balance of the proceeds of any Project Bonds shall be deposited in the  
933 appropriate Construction Subaccount (including an escrow account that may be  
934 established for capitalized interest) as provided in Subsection A of this Section 15 and  
935 applied as provided in subsection A of this Section 15.

936 (4) The balance of the proceeds of any Refunding Bonds shall be deposited into  
937 the appropriate Refunding Account (as hereinafter defined) and applied as provided in  
938 Section 16 of this ordinance.

939 **SECTION 16. Refunding Account; Plan of Refunding.**

940 A. Refunding Account; Guidelines for Refunding. There is hereby authorized to  
941 be established one or more special accounts of the county to be maintained with the  
942 Escrow Agent (as hereinafter defined) each to be known as a "King County [appropriate  
943 year and series designation] Sewer Revenue Bonds Refunding Account" (each a

944 "Refunding Account"). Each Refunding Account shall be drawn upon for the sole  
945 purpose of paying the principal of and interest and redemption premium, if any, on the  
946 applicable Refunded Bonds and of paying costs related to issuance of such series of  
947 Refunding Bonds and to refunding the applicable Refunded Bonds. Proceeds of the sale  
948 of any Refunding Bonds, together with other county funds that may be designated for  
949 such purpose, shall be deposited into each Refunding Account to provide for refunding  
950 the applicable Refunded Bonds, as authorized by the ordinances authorizing the  
951 Refunded Bonds, and to pay the costs of issuance of such Refunding Bonds.

952         The Finance Director is authorized to determine, in consultation with the county's  
953 financial advisors, which of the Refunding Candidates, if any, are to be refunded. In  
954 determining which of the Refunding Candidates, if any, should be advance refunded  
955 under the authority of this ordinance, the council intends that the Finance Director adhere  
956 to a refunding guideline that the present value of the savings achieved by any advance  
957 refunding meet or exceed a minimum level of 5% of the principal amount of Refunded  
958 Bonds that are advance refunded. This requirement does not apply to the current  
959 refunding of any Refunded Bonds, i.e. the redemption of such Refunded Bonds paid for  
960 with proceeds of Refunding Bonds issued no earlier than ninety (90) days prior to such  
961 date fixed for redemption.

962         B. Plan of Refunding. Each plan of refunding and call for redemption of  
963 Refunded Bonds shall be set forth in and ratified and confirmed by a Sale Motion.  
964 Money in each Refunding Account shall be used immediately upon receipt thereof to  
965 defease the applicable Refunded Bonds and discharge the other obligations of the county  
966 relating thereto under the ordinances that authorized such Refunded Bonds, by providing

967 for the payment of the principal of and interest on such Refunded Bonds as set forth in a  
968 Sale Motion. The county shall defease such bonds and discharge such obligations by the  
969 use of the money in each Refunding Account to purchase Government Obligations  
970 (which obligations so purchased, are herein called "Acquired Obligations") bearing such  
971 interest and maturing as to principal and interest in such amounts and at such times that,  
972 together with any necessary beginning cash balance, will provide for the payment of such  
973 Refunded Bonds, as set forth in the Sale Motion. Such Acquired Obligations shall be  
974 purchased at a yield not greater than the yield permitted by the Code and regulations  
975 relating to obligations acquired in connection with refunding bond issues.

976 In connection with the issuance of each series of the Refunding Bonds, to carry  
977 out the refunding and defeasance of Refunded Bonds, the Finance Director is hereby  
978 authorized to appoint as escrow agent a bank or trust company qualified by law to  
979 perform the duties described herein (each, an "Escrow Agent"). Any beginning cash  
980 balance and the Acquired Obligations shall be irrevocably deposited with the Escrow  
981 Agent in an amount sufficient to defease the Refunded Bonds in accordance with this  
982 Section 16 and a Sale Motion.

983 The county will take such actions as are found necessary to see that all necessary  
984 and proper fees, compensation and expenses of the Escrow Agent shall be paid when due.  
985 The proper officers and agents of the county are directed to obtain from each Escrow  
986 Agent an agreement setting forth the duties, obligations and responsibilities of such  
987 Escrow Agent in connection with the redemption and retirement of the Refunded Bonds  
988 as provided herein and setting forth such provisions for the payment of the fees,  
989 compensation and expenses of such Escrow Agent as are satisfactory to it. To carry out

990 the purposes of this section of this ordinance, the Finance Director is authorized and  
991 directed to execute and deliver to each Escrow Agent an escrow agreement in form  
992 approved by the county's bond counsel.

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

996 SECTION 17. Due Regard for Expenses. The county council hereby declares  
997 that, in fixing the amounts to be paid into the Parity Bond Fund and Parity Lien  
998 Obligation Bond Fund, as applicable, and the accounts therein, out of the Revenue of the  
999 System, it has exercised due regard for the necessary Operating and Maintenance  
1000 Expenses and has not obligated the county to set aside, pay into and maintain in said fund  
1001 and accounts a greater amount of the Revenue of the System than in its judgment will be  
1002 available over and above such necessary Operating and Maintenance Expenses.

1003 SECTION 18. Rate Covenants.

1004 A. Parity Bonds. The county hereby covenants with the owner of each of the  
1005 Bonds issued as Parity Bonds for so long as any of the same are outstanding that the  
1006 county will at all times establish, maintain and collect rates and charges for sewage  
1007 disposal service that, together with the interest to be earned on investments of money in the  
1008 Revenue Fund, Parity Bond Fund, Parity Bond Reserve Account and Construction Account,  
1009 will provide in each calendar year Net Revenue in an amount equal to at least 1.15 times  
1010 the amount required to pay the Annual Parity Debt Service for such calendar year.

1011 At all times and in any event, rates and charges for sewage disposal service shall be  
1012 sufficient to provide funds adequate to operate and maintain the System, to make all

1013 payments and to establish and maintain all reserves required by this or any other ordinance  
1014 authorizing obligations of the county payable from Revenue of the System, to make up any  
1015 deficit in such payments remaining from prior years and to pay all costs incurred in the  
1016 construction or acquisition of any portion of the Comprehensive Plan that may be ordered  
1017 by the county and for the payment of which sewer revenue bonds (or other obligations  
1018 payable from Revenue of the System) are not issued.

1019           B. Parity Lien Obligations. The county hereby covenants with the owner of each  
1020 of the Bonds issued as Parity Lien Obligations for so long as any of the same are  
1021 outstanding that the county will at all times establish, maintain and collect rates and  
1022 charges for sewage disposal service that shall be fair and nondiscriminatory and adequate  
1023 to provide Revenue of the System sufficient for the proper operation and maintenance of  
1024 the System; for the punctual payment of the principal of and interest on all outstanding  
1025 Parity Bonds for which payment has not otherwise been provided and all amounts that the  
1026 county is obligated to set aside in the Parity Bond Fund securing the Parity Bonds; for the  
1027 punctual payment of the principal of and interest on all outstanding Parity Lien  
1028 Obligations and for all amounts that the county is obligated to set aside in the Parity Lien  
1029 Obligation Bond Fund; and for the payment of any and all other amounts that the county  
1030 is now or may hereafter become obligated to pay from Revenue of the System.

1031           The county hereby further covenants with the owner of each of the Bonds issued  
1032 as Parity Lien Obligations for so long as any of the same are outstanding that the county  
1033 will at all times establish, maintain and collect rates and charges for sewage disposal  
1034 service that, together with the interest to be earned on investments made of money in the  
1035 Revenue Fund, Construction Account, Parity Bond Fund and the Parity Lien Obligation

1036 Bond Fund, will provide in each calendar year Net Revenue in an amount equal to at least  
1037 1.15 times the amounts required to pay the Annual Debt Service for such calendar year.

1038 C. Rate Stabilization Account. For the purpose of meeting the requirements of  
1039 this Section 18, there may be added to Revenue of the System for any fiscal year any  
1040 amount withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund.  
1041 There shall be subtracted from Net Revenue for any fiscal year any amounts in such year  
1042 withdrawn from the Revenue Fund and deposited into the Rate Stabilization Fund in such  
1043 fiscal year.

1044 SECTION 19. Certain Other Covenants of the Bonds. The county hereby  
1045 covenants with the owner and holder of each of the Bonds for as long as any of such  
1046 Bonds are outstanding, as follows:

1047 A. Maintain in Good Order. The county shall cause the System and the business  
1048 in connection therewith to be operated in a safe, sound, efficient, and economic manner  
1049 in compliance with all health, safety, and environmental laws, regulatory body rules,  
1050 regulatory body orders and court orders applicable to the county's operation of the  
1051 System, and shall cause to be maintained, preserved, reconstructed, expanded and kept,  
1052 with all appurtenances and every part and parcel thereof, in good repair, working order  
1053 and condition, and shall from time to time cause to be made, without undue deferral, all  
1054 necessary or proper repairs, replacements and renewals, so that all times the operation of  
1055 the System shall be properly and advantageously conducted.

1056 B. Books and Records. The county will cause proper books of record and  
1057 accounts of operation of the System to be kept, including an annual financial report.



1058 C. Annual Audit. The county shall cause its books of accounts, including its  
1059 annual financial report, to be audited annually by the State auditor's office or other State  
1060 department or agency as may be authorized and directed by law to make such audits, or if  
1061 such an audit shall not be made for twelve months after the close of any fiscal year of the  
1062 county, by a Certified Public Accountant. The county will furnish such audit to the  
1063 owner or holder of any Parity Bond or Parity Lien Obligation upon written request  
1064 therefor.

1065 D. Insurance. The county will at all times carry fire and extended coverage and  
1066 such other forms of insurance on such of the buildings, equipment, facilities and  
1067 properties of the Sewer System as under good practice are ordinarily carried on such  
1068 buildings, equipment, facilities and properties by municipal or privately owned utilities  
1069 engaged in the operation of sewer systems and will also carry adequate public liability  
1070 insurance at all times, provided that the county may, if deemed advisable by the county  
1071 council, institute or continue a self insurance program with respect to any or all of the  
1072 aforementioned risks.

1073 E. Construction. The county shall cause the construction of any duly authorized  
1074 and ordered portions of the Comprehensive Plan to be performed and completed within a  
1075 reasonable time and at the lowest reasonable cost.

1076 F. Collection of Revenue. The county shall so operate and maintain the System  
1077 and conduct its affairs as to entitle it at all times to receive and enforce payment to it of  
1078 sewage disposal charges payable (i) pursuant to the ordinance or ordinances establishing  
1079 a tariff of rates and charges for sewage disposal services and (ii) under any Service  
1080 Agreement that the county has now or may hereafter enter into and to entitle the county

1081 to collect all revenues derived from the operation of the System. The county shall not  
1082 release the obligations of any person, corporation or political subdivision under such  
1083 tariff of rates and charges or the Service Agreements and shall at all times, to the extent  
1084 permitted by law, defend, enforce, preserve and protect the rights and privileges of the  
1085 county and of the holders of the Parity Bonds and Parity Lien Obligations under or with  
1086 respect thereto.

1087 In accordance with RCW 35.58.200(3), the county shall require any county, city,  
1088 special district or other political subdivision to discharge to the System all sewage  
1089 collected by such entity from any portion of the Seattle metropolitan area that can drain  
1090 by gravity flow into facilities of the System that serve such areas if the county council  
1091 declares that the health, safety or welfare of the people within the metropolitan area  
1092 require such action.

1093 G. Legal Authority. The county has full legal right, power and authority to adopt  
1094 this ordinance, to sell, issue and deliver Bonds as provided herein, and to carry out and  
1095 consummate all other transactions contemplated by this ordinance.

1096 H. Due Authorization. By all necessary official action prior to or concurrently  
1097 herewith, the county has duly authorized and approved the execution and delivery of, and  
1098 the performance by the county of its obligations contained in, the Bonds and in this  
1099 ordinance and the consummation by it of all other transactions necessary to effectuate  
1100 this ordinance in connection with the issuance of Bonds, and such authorizations and  
1101 approvals are in full force and effect and have not been amended, modified or  
1102 supplemented in any material respect.

1103 I. Binding Obligation. This ordinance constitutes a legal, valid and binding  
1104 obligation of the county.

1105 J. No Conflict. The adoption of this ordinance, and compliance on the county's  
1106 part with the provisions contained herein, will not conflict with or constitute a breach of  
1107 or default under any constitutional provisions, law, administrative regulation, judgment,  
1108 decree, loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement  
1109 or other instrument to which the county is a party or to which the county or any of its  
1110 property or assets are otherwise subject, nor will any such adoption, execution, delivery,  
1111 sale, issuance or compliance result in the creation or imposition of any lien, charge or  
1112 other security interest or encumbrance of any nature whatsoever upon any of the property  
1113 or assets of the county or under the terms of any such law, regulation or instrument,  
1114 except as may be provided by the Bonds issued as Parity Lien Obligations and this  
1115 ordinance.

1116 K. Performance Under Ordinance. None of the proceeds of the Bonds will be  
1117 used for any purpose other than as provided in this ordinance, and the county shall not  
1118 suffer any amendment or supplement to this ordinance, or any departure from the due  
1119 performance of the obligations of the county hereunder, that might materially adversely  
1120 affect the rights of the owners from time to time of the Bonds.

1121 L. Sale or Disposition. The county will not sell or voluntarily dispose of all of  
1122 the operating properties of the System unless provision is made for payment into the  
1123 Parity Bond Fund and the Parity Lien Obligation Bonds Fund of a sum sufficient to pay  
1124 the principal of and interest on all outstanding Parity Bonds and Parity Lien Obligations  
1125 in accordance with the terms thereof, nor will the county sell or voluntarily dispose of

1126 any part of the operating properties of the System unless provision is made (i) for  
1127 payment into the Parity Bond Fund of an amount that will bear at least the same  
1128 proportion to the amount of the outstanding Parity Bonds that the estimated amount of  
1129 any resulting reduction in the Revenue of the System for the twelve months following  
1130 such sale or disposition bears to the Revenue of the System that would have been realized  
1131 if such sale or disposition had not been made and (ii) for payment into the Parity Lien  
1132 Obligation Bond Fund of an amount that will bear at least the same proportion to the  
1133 amount of the outstanding Parity Lien Obligations that the estimated amount of any  
1134 resulting reduction in the Revenue of the System for the twelve months following such  
1135 sale or disposition bears to the Revenue of the System that would have been realized if  
1136 such sale or disposition had not been made. Such estimate shall be made by a  
1137 Professional Utility Consultant. Any money so paid into the Parity Bond Fund and the  
1138 Parity Lien Obligation Bond Fund shall be used to retire outstanding Parity Bonds and  
1139 Parity Lien Obligations as provided herein at the earliest possible date; provided,  
1140 however, that the county may sell or otherwise dispose of any of the works, plant,  
1141 properties and facilities of the System or any real or personal property comprising a part  
1142 of the System with a value of less than 5% of the net utility plant of the System or which  
1143 shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation  
1144 of the System, or no longer necessary, material to or useful in such operation, without  
1145 making any deposit into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

1146       **SECTION 20. Certain Other Covenants of the Parity Lien Obligations.** The  
1147 county makes the following covenants and warranties to the owner of each of the Bonds  
1148 issued as Parity Lien Obligations:

1149           A. The Bonds issued as Parity Lien Obligations, when issued, sold, authenticated  
1150 and delivered, will constitute the legal, valid and binding general obligations of the  
1151 county.

1152           B. The county finds and covenants that the Bonds issued as Parity Lien  
1153 Obligations are issued within all statutory and constitutional debt limitations applicable to  
1154 the county.

1155           SECTION 21. Tax-Exemption.

1156           A. General. The county intends that interest on the Bonds shall be excludable  
1157 from gross income for federal income tax purposes pursuant to sections 103 and 141  
1158 through 150 of the Code, and the applicable regulations. The county covenants not to  
1159 take any action, or knowingly omit to take any action within its control, that if taken or  
1160 omitted would cause the interest on the Bonds to be includable in gross income, as  
1161 defined in section 61 of the Code, for federal income tax purposes.

1162           B. Tax Certificate. Upon the issuance of each series of Bonds, the Finance  
1163 Director is authorized to execute a federal tax certificate (the "Tax Certificate"), which  
1164 will certify to various facts and representations concerning such series of Bonds, based on  
1165 the facts and estimates known or reasonably expected on the date of issuance of such  
1166 series of Bonds, and make certain covenants with respect to such series of Bonds,  
1167 including but not limited to the following:

1168           (i) *No Private Activity Bonds.* The proceeds of such series of Bonds will not  
1169 be used in a manner that would cause such Bonds to be "private activity bonds" within  
1170 the meaning of the Code, as further described in the Tax Certificate. Moreover, the  
1171 county covenants that it will use the proceeds of such Bonds (including interest or other

1172 investment income derived from Bond proceeds), regulate the use of property financed or  
1173 refinanced, directly or indirectly, with such proceeds, and take such other and further  
1174 action as may be required so that such Bonds will not be "private activity bonds."

1175 (ii) *No Federal Guarantee.* The county has not and will not take any action,  
1176 and has not knowingly omitted and will not knowingly omit to take any action within its  
1177 control, that, if taken or omitted would cause such Bonds to be "federally guaranteed"  
1178 within the meaning of the Code, as further described in the Tax Certificate.

1179 (iii) *No Arbitrage Bonds.* The county reasonably expects that the proceeds of  
1180 such Bonds will not be used in a manner that would cause such Bonds to be "arbitrage  
1181 bonds" within the meaning of the Code, as further described in the Tax Certificate.

1182 (iv) *No Hedge Bonds.* The county reasonably expects that at least 85%  
1183 percent of the proceeds of such Bonds will be spent within three years of the date such  
1184 Bonds are issued to carry out the governmental purposes of such Bonds.

1185 The county covenants that it will comply with the Tax Certificate unless it  
1186 receives advice from nationally recognized bond counsel or the Internal Revenue Service  
1187 that certain provisions have been amended or no longer apply to the Bonds.

1188 C. Arbitrage Rebate. If the county does not qualify for an exception to the  
1189 requirements of Section 148(f) of the Code relating to the payment of arbitrage rebate to  
1190 the United States, the county will take all necessary steps to comply with the requirement  
1191 that certain amounts earned by the county on the investment of the "gross proceeds" of  
1192 the Bonds (within the meaning of the Code) be rebated.

1193 **SECTION 22. Trustee for Parity Bondowners.**

1194           A. Appointment of Trustee. Upon the occurrence of any "event of default"  
1195 described in Section 23.A of this ordinance, the owners of a majority in principal amount  
1196 of the outstanding Parity Bonds may appoint a Trustee by an instrument or concurrent  
1197 instruments in writing signed and acknowledged by such Parity Bondowners or by their  
1198 attorneys-in-fact duly authorized and delivered to such Trustee, notification thereof being  
1199 given to the county. Any appointment of a Trustee under the provisions of this  
1200 subsection shall be a bank or trust company organized under the laws of the State of  
1201 Washington or the State of New York or a national banking association. The fees and  
1202 expenses of a Trustee shall be borne by the Parity Bondowners and not by the county.  
1203 The bank or trust company acting as a Trustee may be removed at any time and a  
1204 successor Trustee may be appointed by the owners of a majority in principal amount of  
1205 the outstanding Parity Bonds, by an instrument or concurrent instruments in writing  
1206 signed and acknowledged by such Parity Bondowners or by their attorneys-in-fact duly  
1207 authorized.

1208           The Trustee appointed in the manner herein provided, and each successor thereto,  
1209 is hereby declared to be a trustee for the owners of all the Parity Bonds and is empowered  
1210 to exercise all the rights and powers herein conferred on the Trustee.

1211           B. Certain Rights and Obligations of Trustee. The Trustee shall not be responsible  
1212 for recitals in any ordinance or in the Parity Bonds, or for the validity of said bonds, nor  
1213 shall the Trustee be responsible for insuring the System or for collecting any insurance  
1214 money or for the title to any of the property of the System.

1215           The Trustee shall be protected in acting upon any notice, request, consent,  
1216 certificate, order, affidavit, letter, telegram or other paper or document believed by it to be

1217 genuine and correct and to have been signed, sent or delivered by the person or persons by  
1218 whom such paper or document shall purport to have been signed, sent or delivered.

1219         The Trustee shall not be answerable for any neglect or default of any person, firm or  
1220 corporation employed and selected by it with reasonable care.

1221         The Trustee will permit the owner or holder of any Parity Bonds to inspect any  
1222 instrument, opinion or certificate filed with the Trustee by the county or by any person, firm  
1223 or corporation acting for the county.

1224         The Trustee shall not be bound to recognize any person as an owner or holder of any  
1225 Parity Bond until his, her or its title thereto, if disputed, shall have been established to its  
1226 reasonable satisfaction.

1227         The Trustee may consult with counsel, and the opinion of such counsel shall be full  
1228 and complete authorization and protection in respect of any action taken or suffered by it  
1229 hereunder in good faith and in accordance with the opinion of such counsel.

1230         SECTION 23. Events of Default for Parity Bonds; Powers and Duties of Parity  
1231 **Bondowners Trustee.**

1232         A. Events of Default. The occurrence of one or more of the following shall be an  
1233 "event of default" with respect to any Bonds issued as Parity Bonds under this ordinance:

1234             (i) default in the payment of principal of or interest on any Parity Bonds when the  
1235 same shall become due; or

1236             (ii) default in the observance or performance of any of the other covenants  
1237 applicable to Parity Bonds herein contained, and such default continues for a period of six  
1238 months after written notice to the county from a Parity bondholder specifying such default  
1239 and requiring the same to be remedied.



1240           B. Powers of Trustee. The Trustee in its own name and on behalf of and for the  
1241 benefit and protection of the holders and owners of all Parity Bonds may proceed, and upon  
1242 the written request of the holders and owners of not less than 25% in principal amount of the  
1243 Parity Bonds then outstanding shall proceed, to protect and enforce any rights of the Trustee  
1244 and, to the full extent that owners or holders of Parity Bonds themselves might do, the rights  
1245 of such owners and holders of Parity Bonds under the laws of the State of Washington or  
1246 under the ordinances providing for the issuance of such bonds, by such suits, actions or  
1247 proceedings in equity or at law, either for the specific performance of any covenant  
1248 contained herein or in aid or execution of any power herein granted or for any proper legal  
1249 or equitable remedy as the Trustee shall deem most effectual to protect and enforce the  
1250 rights of the Trustee and the holders and owners of Parity Bonds. In the enforcement of any  
1251 such rights under this or any other ordinance of the county, the Trustee shall be entitled to  
1252 sue for, to enforce payment of and to receive any and all amounts due from the county for  
1253 principal, interest or otherwise under any of the provisions of such ordinance, with interest  
1254 on overdue payments at the rate or rates set forth in such bond or bonds, together with any  
1255 and all costs and expenses of collection and of all proceedings taken by the Trustee without  
1256 prejudice to any other right or remedy of the Trustee or of the bondholders.

1257           In the event that default shall be made in the payment of principal of any Parity  
1258 Bond and such default shall continue for a period of 30 days, (i) so long as any of the 1999  
1259 (2nd) Bonds, 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds, 2004A Bonds and  
1260 2004B Bonds remain outstanding, the Trustee shall be entitled to declare all outstanding  
1261 Parity Bonds immediately due and payable and may proceed to enforce payment thereof as  
1262 hereinabove provided, and (ii) after such time as no 1999 (2nd) Bonds, 2001 Bonds, 2002A

1263 Bonds, 2002B Bonds, 2003A Bonds, 2004A Bonds and 2004B Bonds remain outstanding,  
1264 the Trustee may not accelerate payment of any Parity Bonds but may proceed to enforce  
1265 payment thereof as hereinabove provided. In the event any default shall, in the sole  
1266 judgment of the Trustee, be cured and the Trustee shall furnish the county a certificate so  
1267 stating, such default shall be conclusively deemed to be cured, and the county, Trustee and  
1268 owners and holders of Parity Bonds shall be restored to the same rights and position they  
1269 would have held if no event of default had occurred.

1270 C. Actions in Name of Trustee. All rights of action under this ordinance or upon  
1271 any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee without  
1272 the possession of any of such bonds or the production thereof on the trial or other  
1273 proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee  
1274 shall be brought in its name for the ratable benefit of the holders of said bonds, subject to the  
1275 provisions of this ordinance.

1276 D. Procedure by Bond Owners. No owner of any one or more of the Parity Bonds  
1277 shall have any right to institute any action, suit or proceedings at law or in equity for the  
1278 enforcement of the same, unless an event of default has occurred and unless no Trustee  
1279 has been appointed as herein provided, but any remedy herein authorized to be exercised  
1280 by a Trustee may be exercised individually by any Parity Bondowner, in his own name  
1281 and on his own behalf or for the benefit of all Parity Bondowners, in the event that no  
1282 Trustee has been appointed, or with the consent of the Trustee if such Trustee has been  
1283 appointed.

1284 E. Application of Money Collected by Trustee. Any money collected by the  
1285 Trustee at any time pursuant to this section shall be applied, first, to the payment of its

1286 charges, expenses, advances and compensation and the charges, expenses, counsel fees,  
1287 disbursements and compensation of its agents and attorneys, and, second, toward payment  
1288 of the amount then due and unpaid upon the Parity Bonds, ratably and without preference or  
1289 priority of any kind not expressly provided in this ordinance, according to the amounts due  
1290 and payable upon such bonds at the date fixed by the Trustee for the distribution of such  
1291 money, upon presentation of the several bonds and upon causing such payment to be  
1292 stamped thereon, if partly paid, and upon surrender thereof, if fully paid.

1293           SECTION 24. Future Parity Bonds. The county further covenants and agrees  
1294 with the owners and holders of the Parity Bonds for as long as the same are outstanding that  
1295 it will not create any special fund for the payment of the principal of and interest on any  
1296 revenue bonds that will rank on a parity with or have any priority over the payments out of  
1297 the Revenue of the System required to be made into the Parity Bond Fund and the accounts  
1298 therein to pay or secure the payment of the outstanding Parity Bonds, except that it reserves  
1299 the right for:

- 1300           (1) the purpose of acquiring, constructing and installing any portion of the  
1301 Comprehensive Plan, or
- 1302           (2) the purpose of acquiring, constructing and installing any necessary renewals or  
1303 replacements of the System, or
- 1304           (3) the purpose of refunding or purchasing and retiring at or prior to their maturity  
1305 any outstanding obligations of the county payable from Revenue of the System,  
1306 to issue additional or refunding bonds and to make payments into the Parity Bond Fund out  
1307 of the Revenue Fund that will be sufficient to pay the principal of and interest on said  
1308 additional or refunding bonds and to maintain required reserves, which such payments out

1309 of the Revenue Fund may rank equally with the payments out of the Revenue Fund required  
1310 to be made into the Parity Bond Fund and the accounts therein for the payment of the  
1311 principal of and interest on outstanding Parity Bonds only upon compliance with the  
1312 following conditions:

1313           A. At the time of the issuance of any Future Parity Bonds there shall not be any  
1314 deficiency in the Parity Bond Fund or any account therein.

1315           B. Each ordinance providing for the issuance of any Future Parity Bonds that are  
1316 refunding bonds shall require that all money held in any fund or account of the county  
1317 created for the purpose of paying the principal of and interest on the bonds being refunded  
1318 either be used to pay the principal of and interest on such bonds or be transferred or paid  
1319 into the Parity Bond Fund.

1320           C. Each ordinance providing for the issuance of Future Parity Bonds shall provide  
1321 for the payment of the principal thereof and interest thereon out of the Parity Bond Fund.  
1322 The Future Parity Bonds may bear such date of issue, interest payment dates, and principal  
1323 payment dates, and shall mature in such year or years as the county council may provide.  
1324 Each such ordinance shall further provide that within one year following the issuance of  
1325 such Future Parity Bonds (or upon the issuance of such Future Parity Bonds, if required by  
1326 the terms of the sale of such Future Parity Bonds or by the terms of any agreement with a  
1327 provider of Qualified Insurance or a Qualified Letter of Credit then securing any Parity  
1328 Bonds) the county will pay into the Parity Bond Reserve Account an amount that will be  
1329 sufficient to satisfy the Reserve Requirement then applicable or provide Qualified Insurance  
1330 or a Qualified Letter of Credit to satisfy such Reserve Requirement.

1331 D.(1) At the time of the issuance of any Future Parity Bonds, the county shall have  
1332 on file a certificate from a Professional Utility Consultant (the certificate may not be dated  
1333 more than 90 days prior to the date of delivery of such Future Parity Bonds), showing that in  
1334 his or her professional opinion the "annual income available for debt service on Parity  
1335 Bonds" for each year during the life of such Future Parity Bonds shall be at least equal to  
1336 1.25 times the amount required in each such year to pay the Annual Parity Debt Service for  
1337 such year.

1338 (2) Such "annual income available for debt service on Parity Bonds" shall be  
1339 determined as follows for each year following the proposed date of issue of such Future  
1340 Parity Bonds:

1341 (i) The Revenue of the System shall be determined for a period of any 12  
1342 consecutive months out of the 18 months immediately preceding the delivery of the Future  
1343 Parity Bonds being issued.

1344 (ii) Such revenue shall be adjusted to give effect on a 12-month basis to the rates  
1345 in effect on the date of such certificate.

1346 (iii) If there were any Customers added to the System during such 12-month  
1347 period or thereafter and prior to the date of the Professional Utility Consultant's certificate,  
1348 such revenue shall be further adjusted on the basis that added Customers were Customers of  
1349 the System during the entire 12-month period.

1350 (iv) There shall be deducted from such revenue the amount expended for  
1351 Operating and Maintenance Expenses during such period.

1352 (v) For each year following the proposed date of issuance of such Future Parity  
1353 Bonds the Professional Utility Consultant shall add to the annual revenue determined in the

1354 preceding four paragraphs an estimate of the income to be received in each such year from  
1355 the investment of money in the Parity Bond Fund and any account therein, and the  
1356 Construction Account, which will be determined by and in the sole discretion of a firm of  
1357 nationally recognized financial consultants selected by the county.

1358 (vi) Beginning with the second year following the proposed date of issue of such  
1359 Future Parity Bonds and for each year thereafter, the Professional Utility Consultant shall  
1360 add to the annual revenue determined in the preceding five paragraphs his or her estimate of  
1361 any additional annual revenue to be received from anticipated growth in the number of  
1362 Customers within the area served by the System on the date of such certificate, after  
1363 deducting therefrom any increased Operating and Maintenance Expenses estimated to be  
1364 incurred as a result of such growth; provided that the Professional Utility Consultant's  
1365 estimate of the number of Customers served shall not assume growth of more than 1/4 of  
1366 1% over and above the number of Customers served or estimated to be served during the  
1367 preceding year.

1368 (vii) If extensions of or additions to the System are in the process of construction  
1369 at the time of such certificate, or if the proceeds of the Future Parity Bonds being issued are  
1370 to be used to acquire or construct extensions of or additions to the System, there shall be  
1371 added to the annual net revenue as above determined any revenue not included in the  
1372 preceding paragraphs that will be derived from such additions and extensions after  
1373 deducting therefrom the estimated additional Operating and Maintenance Expenses to be  
1374 incurred as a result of such additions and extensions; provided that such estimated annual  
1375 revenue shall be based upon 75% of any estimated Customer growth in the four years  
1376 following the first full year in which such additional revenue is to be collected and thereafter

1377 the estimated Customer growth shall not exceed 1/4 of 1% per year over and above such  
1378 reduced estimate.

1379 E. Instead of the certificate described in subsection D above, the county may elect  
1380 instead to have on file a certificate of the Finance Director demonstrating that during any 12  
1381 consecutive calendar months out of the immediately preceding 18 calendar months Net  
1382 Revenue was at least equal to 1.25 times the amount required to pay, in each year that such  
1383 Future Parity Bonds would be outstanding, the Annual Parity Debt Service for such year.

1384 F. For the purpose of refunding at or prior to their maturity any outstanding Parity  
1385 Bonds or any bonds or other obligations of the county payable from Revenue of the System,  
1386 the county may at any time issue Future Parity Bonds without complying with the  
1387 provisions of subsection D or E hereof; provided, however, that the county shall not issue  
1388 Future Parity Bonds for such purpose under this subsection F unless the Finance Director  
1389 certifies that upon the issuance of such Future Parity Bonds that (i) total debt service  
1390 required for all Parity Bonds (including the refunding bonds but not including the bonds to  
1391 be refunded thereby) shall decrease, and (ii) the Annual Parity Debt Service for each year  
1392 that any Parity Bonds (including the refunding bonds proposed to be issued) are then  
1393 outstanding shall not be increased by more than \$5,000 by reason of the issuance of such  
1394 Future Parity Bonds.

1395 The principal amount of Future Parity Bonds issued pursuant to this subsection F  
1396 may include amounts necessary to pay the principal of the Parity Bonds or other obligations  
1397 to be refunded, interest thereon to the date of payment or redemption thereof, any premium  
1398 payable thereon upon such payment or redemption and the costs of issuance of such Future  
1399 Parity Bonds, and if there shall have been provided a Payment Agreement with respect to

1400 the obligations to be refunded, may include amounts necessary to make the payment of all  
1401 amounts, if any, due and payable by the county under such Payment Agreement. The  
1402 proceeds of such Future Parity Bonds shall be held and applied in such manner as is  
1403 provided for in the ordinance authorizing the issuance of the Parity Bonds or other  
1404 obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the Parity  
1405 Bonds or other obligations to be refunded thereby shall be deemed to be no longer  
1406 outstanding in accordance with the ordinance authorizing their issuance.

1407 G. Nothing contained in this ordinance shall prevent the county from issuing  
1408 revenue bonds that are a charge upon the Revenue of the System and money in the Revenue  
1409 Fund junior or inferior to the payments required to be made therefrom into the Bond Fund  
1410 and any account therein, nor shall anything herein contained prevent the county from issuing  
1411 Future Parity Bonds to refund maturing Parity Bonds for the payment of which money is not  
1412 otherwise available.

1413 **SECTION 25. Additional Parity Lien Obligations.** The county expressly  
1414 reserves the right to issue additional Parity Bonds in accordance with the ordinances,  
1415 including this ordinance, authorizing the Parity Bonds. Subject to this reservation of  
1416 rights with respect to Parity Bonds, the county hereby covenants and agrees with the  
1417 owners of any Bonds issued as Parity Lien Obligations, so long as such Bonds are  
1418 outstanding, that it will not issue or incur any other additional indebtedness secured in  
1419 whole or in part by a lien on Revenue of the System superior to the Lien of such Bonds  
1420 issued as Parity Lien Obligations.

1421 A. **Parity Lien Obligation Other Than Refunding Bonds.** The county expressly  
1422 reserves the right to issue or enter into additional Parity Lien Obligations (including



1423 Variable Rate Parity Lien Obligations as defined herein) for any lawful purpose of the  
1424 county related to the System if at the time of issuing or entering into such Parity Lien  
1425 Obligations:

1426 (i) There shall not be any deficiency in the Parity Bond Fund, the Parity Lien  
1427 Obligation Bond Fund or any other bond fund or account securing Parity Lien  
1428 Obligations.

1429 (ii) The county shall have on file a certificate from a Professional Utility  
1430 Consultant (the certificate may not be dated more than 90 days prior to the date of  
1431 delivery of such Parity Lien Obligations) showing that in his or her professional opinion,  
1432 the "annual income available for debt service on Parity Bonds and Parity Lien  
1433 Obligations" for each year during the life of such Parity Lien Obligations shall be at least  
1434 equal to 1.25 times the amount required to pay Annual Debt Service in each such year.

1435 (iii) Such "annual income available for debt service on Parity Bonds and Parity  
1436 Lien Obligations" shall be determined as follows for each year following the proposed  
1437 date of issue of such Parity Lien Obligations:

1438 1. The Revenue of the System shall be determined for a period of any 12  
1439 consecutive months out of the 18 months immediately preceding the delivery of the  
1440 Parity Lien Obligations being issued.

1441 2. Such revenue shall be adjusted to give effect on a 12-month basis to the  
1442 rates in effect on the date of such certificate.

1443 3. If there were any Customers added to the System during such 12-month  
1444 period or thereafter and prior to the date of the Professional Utility Consultant's

1445 certificate, such revenue shall be further adjusted on the basis that added Customers were  
1446 Customers of the System during the entire 12-month period.

1447 4. There shall be deducted from such revenue the amount expended for  
1448 Operating and Maintenance Expenses during such period.

1449 5. For each year following the proposed date of issuance of such Parity Lien  
1450 Obligations the Professional Utility Consultant shall add to the annual revenue  
1451 determined in the preceding four paragraphs an estimate of the income to be received in  
1452 each such year from the investment of money in the Parity Bond Fund, the Parity Lien  
1453 Obligation Bond Fund and the Construction Account, which will be determined by and in  
1454 the sole discretion of a firm of nationally recognized financial consultants selected by the  
1455 county.

1456 6. Beginning with the second year following the proposed date of issue of such  
1457 Parity Lien Obligations and for each year thereafter the Professional Utility Consultant  
1458 shall add to the annual revenue determined in the preceding five paragraphs his or her  
1459 estimate of any additional annual revenue to be received from anticipated growth in the  
1460 number of Customers within the area served by the System on the date of such certificate,  
1461 after deducting therefrom any increased Operating and Maintenance Expenses estimated  
1462 to be incurred as a result of such growth; provided that the Professional Utility  
1463 Consultant's estimate of the number of customers served shall not assume a growth of  
1464 more than 1/4 of 1% over and above the number of customers served or estimated to be  
1465 served during the preceding year.

1466 7. If extensions of or additions to the System are in the process of construction  
1467 at the time of such certificate, or if the proceeds of the Parity Lien Obligations being

1468 issued are to be used to acquire or construct extensions of or additions to the System,  
1469 there shall be added to the annual net revenue as above determined any revenue not  
1470 included in the preceding paragraphs which will be derived from such additions and  
1471 extensions after deducting therefrom the estimated additional Operating and Maintenance  
1472 Expenses to be incurred as a result of such additions and extensions; provided that such  
1473 estimated annual revenue shall be based upon 75% of any estimated Customer growth in  
1474 the four years following the first full year in which such additional revenue is to be  
1475 collected and thereafter the estimated Customer growth shall not exceed 1/4 of 1% per  
1476 year over and above such reduced estimate.

1477 (iv) Instead of the certificate described in subsections (ii) and (iii) above, the  
1478 county may elect to have on file a certificate of the Finance Director demonstrating that  
1479 during any 12 consecutive calendar months out of the immediately preceding 18 calendar  
1480 months Net Revenue was at least equal to 1.25 times the amount required to pay, in each  
1481 year that such Parity Lien Obligations would be outstanding, the Annual Debt Service for  
1482 such year.

1483 B. Parity Lien Obligations That Are Refunding Bonds.

1484 (i) The county may at any time for the purpose of refunding at or prior to their  
1485 maturity any outstanding Parity Lien Obligations, Parity Bonds, or any bonds or other  
1486 obligations of the county payable from Revenue of the System issue additional Parity  
1487 Lien Obligations without complying with the provisions of subsections (ii)-(iv) of  
1488 Section 25.A hereof if there shall have been filed with the clerk of the county council a  
1489 certificate of the Finance Director stating that upon the issuance of such additional Parity  
1490 Lien Obligations (i) total debt service on all Parity Bonds and Parity Lien Obligations

1491 (including the refunding bonds but not including the bonds to be refunded thereby) shall  
1492 decrease, and (ii) the Annual Debt Service for each year that any Parity Bonds and any  
1493 Parity Lien Obligations (including the refunding bonds proposed to be issued) are then  
1494 outstanding shall not be increased by more than \$5,000 by reason of the issuance of such  
1495 additional Parity Lien Obligations.

1496 (ii) The principal amount of such Parity Lien Obligations may include amounts  
1497 necessary to pay the principal of the bonds or other obligations to be refunded, interest  
1498 thereon to the date of payment or redemption thereof, any premium payable thereon upon  
1499 such payment or redemption and the costs of issuance of such Parity Lien Obligations,  
1500 and if there shall have been provided a Payment Agreement with respect to the  
1501 obligations to be refunded, may include amounts necessary to make the payment of all  
1502 amounts, if any, due and payable by the county under such Payment Agreement. The  
1503 proceeds of such Parity Lien Obligations shall be held and applied as is provided in the  
1504 ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the  
1505 delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded  
1506 thereby shall be deemed to be no longer outstanding in accordance with the ordinance  
1507 authorizing their issuance.

1508 (iii) At the election of the county, the provisions of this Section 25.B shall not  
1509 be applicable to the refunding at one time of all the Parity Lien Obligations then  
1510 outstanding.

1511 (iv) Nothing contained in this ordinance shall prohibit or prevent, or be deemed  
1512 or construed to prohibit or prevent, the county from issuing Parity Lien Obligations to

1513 refund maturing Parity Lien Obligations of the county for the payment of which money is  
1514 not otherwise available.

1515 C. Subordinate Obligations. Nothing in this ordinance shall prohibit, or be  
1516 deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or  
1517 other evidences of indebtedness for any purpose of the county related to the System  
1518 payable in whole or in part from Revenue of the System and secured by a lien on such  
1519 Revenue that is junior, subordinate and inferior to the lien of any Bonds issued as Parity  
1520 Lien Obligations.

1521 SECTION 26. Reimbursement Obligations. If the county elects to secure any  
1522 Bonds with a Credit Facility, the county may contract with the entity providing such  
1523 Credit Facility that the reimbursement obligation, if any, to such entity shall be a Parity  
1524 Bond or Parity Lien Obligation, as applicable.

1525 SECTION 27. Payment Agreements.

1526 A. General. To the extent and for the purposes permitted from time to time by  
1527 Chapter 39.96 RCW, as it may be amended, and other applicable provisions of State law,  
1528 the county may enter into Payment Agreements, subject to the conditions set forth in this  
1529 section and in other provisions of this ordinance.

1530 B. Manner and Schedule of Payments. Each Payment Agreement shall set forth  
1531 the manner in which the Payment Agreement Payments and the Payment Agreement  
1532 Receipts shall be calculated and a schedule of payment dates.

1533 C. Authorizing Ordinance. Prior to entering into a Payment Agreement, the  
1534 county council shall pass an ordinance authorizing such agreement and setting forth such

1535 provisions as the county deems necessary or desirable and are not inconsistent with the  
1536 provisions of this ordinance.

1537           D. Calculation of Payment Agreement Payments and Debt Service on Bonds with  
1538 Respect to which a Payment Agreement is in Force. It is the intent of the county, for  
1539 purposes of Sections 18, 24 or 25 of this ordinance, that debt service on Parity Bonds  
1540 with respect to which a Parity Payment Agreement is in force shall be calculated to  
1541 reflect the net economic effect on the county intended to be produced by the terms of  
1542 such Parity Bonds and Parity Payment Agreement and that debt service on Parity Lien  
1543 Obligation Bonds with respect to which a Parity Lien Obligation Payment Agreement is  
1544 in force shall be calculated to reflect the net economic effect on the county intended to be  
1545 produced by the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation  
1546 Payment Agreement. In calculating such amounts, the county shall be guided by the  
1547 following requirements.

1548           (i) The amount of interest deemed to be payable on any Bonds with respect to  
1549 which a Payment Agreement is in force shall be an amount equal to the amount of  
1550 interest that would be payable at the rate or rates stated in those Bonds plus Payment  
1551 Agreement Payments minus Payment Agreement Receipts.

1552           (ii) For any period during which Payment Agreement Payments are not taken  
1553 into account in calculating interest on any outstanding Bonds because the Payment  
1554 Agreement is not then related to any outstanding Bonds, Payment Agreement Payments  
1555 on that Parity Payment Agreement shall be calculated based upon the following  
1556 assumptions:

1557 (a) County Obligated to Make Payments Based on Fixed Rate. If the county is  
1558 obligated to make Payment Agreement Payments based on a fixed rate and the Qualified  
1559 Counterparty is obligated to make payments based on a variable rate index, payments by  
1560 the county will be based on the assumed fixed payor rate, and payments by the Qualified  
1561 Counterparty will be based on a rate equal to the average rate determined by the variable  
1562 rate index specified by the Payment Agreement during the fiscal quarter preceding the  
1563 quarter in which the calculation is made; and

1564 (b) County Obligated to Make Payments Based on Variable Rate Index. If the  
1565 county is obligated to make Payment Agreement Payments based on a variable rate index  
1566 and the Qualified Counterparty is obligated to make payments based on a fixed rate,  
1567 payments by the county will be based on a rate equal to the average rate determined by  
1568 the variable rate index specified by the Payment Agreement during the fiscal quarter  
1569 preceding the quarter in which the calculation is made, and the Qualified Counterparty  
1570 will make payments based on the fixed rate specified by the Payment Agreement.

1571 E. Prior Notice to Rating Agencies. The county shall give notice to Moody's and  
1572 S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement and  
1573 shall give notice to Fitch, Moody's and S&P 30 days prior to the date it intends to enter  
1574 into a Parity Lien Obligation Payment Agreement.

1575 **SECTION 28. Sale of Bonds.**

1576 A. Determination by Finance Director. The Finance Director shall determine, in  
1577 consultation with the county's financial advisors, which of the Refunding Candidates  
1578 shall be refunded, whether the Project Bonds and Refunding Bonds shall be sold  
1579 separately or sold in one or more combined series, and whether each such series of the

1580 Bonds shall be sold by negotiated sale or competitive bid and by current or future  
1581 delivery. The authority to sell any of the Bonds authorized hereunder shall terminate two  
1582 years from the effective date of this ordinance.

1583 B. Procedure for Negotiated Sale. If the Finance Director determines that  
1584 any series of the Bonds shall be sold by negotiated sale, the Finance Director shall, in  
1585 accordance with applicable county procurement procedures, solicit one or more  
1586 underwriting firms with which to negotiate the sale of the Bonds. The purchase contract  
1587 for any series of Bonds shall establish the date, principal amount, interest rates, maturity  
1588 schedule, redemption and bond insurance provisions, and delivery date of the Bonds.  
1589 The county council by a Sale Motion shall approve the bond purchase contract and ratify  
1590 and confirm the terms for the series of Bonds established therein.

1591 C. Procedure for Sale by Competitive Bid. If the Finance Director  
1592 determines that any series of the Bonds shall be sold by competitive bid, bids for the  
1593 purchase of such Bonds shall be received at such time or place and by such means as the  
1594 Finance Director shall direct. The Finance Director is authorized to prepare a notice of  
1595 sale for such Bonds, establishing in such notice the date, principal amount, interest  
1596 payment dates, maturity schedule, and redemption and bond insurance provisions for  
1597 such Bonds. The official notice of sale or an abridged form thereof shall be published in  
1598 such newspapers or financial journals as may be deemed desirable or appropriate by the  
1599 financial advisors to the county.

1600 Upon the date and time established for the receipt of bids for any series of the  
1601 Bonds, the Finance Director or his designee shall review the bids, shall cause the bids to  
1602 be mathematically verified and shall report to the county council regarding the bids



1603 received. Such bids shall then be considered and acted upon by the county council in an  
1604 open public meeting. The county council reserves the right to reject any and all bids for  
1605 such Bonds. The county council by a Sale Motion shall approve the sale of such Bonds  
1606 and ratify and confirm the date, interest rates, maturity schedule, redemption and bond  
1607 insurance provisions, and any other terms of such Bonds.

1608 SECTION 29. Delivery of Bonds. Following the sale of any series of the Bonds,  
1609 the county shall cause definitive Bonds of such series to be prepared, executed and  
1610 delivered, which Bonds shall be typewritten, lithographed or printed with engraved or  
1611 lithographed borders, or in such other form acceptable to DTC as initial depository for  
1612 the Bonds.

1613 If definitive Bonds are not ready for delivery by the date established for a  
1614 Closing, then the Finance Director, upon the approval of the purchasers, may cause to be  
1615 issued and delivered to the purchasers one or more temporary Bonds with appropriate  
1616 omissions, changes and additions. Any temporary Bond or Bonds shall be entitled and  
1617 subject to the same benefits and provisions of this ordinance with respect to the payment,  
1618 security and obligation thereof as definitive Bonds authorized thereby. Such temporary  
1619 Bond or Bonds shall be exchangeable without cost to the owners thereof for definitive  
1620 Bonds when the latter are ready for delivery.

1621 SECTION 30. Preliminary Official Statement; Official Statement. The  
1622 county hereby authorizes and directs the Finance Director: (i) to review and approve the  
1623 information contained in the preliminary official statement (the "Preliminary Official  
1624 Statement") prepared in connection with the sale of any series of the Bonds; and (ii) for  
1625 the sole purpose of the Bond purchasers' compliance with Section (b)(1) of the Rule, to

1626 "deem final" that Preliminary Official Statement as of its date, except for the omission of  
1627 information on offering prices, interest rates, selling compensation, delivery dates, bond  
1628 insurance, any other terms or provisions required by the county to be specified in a  
1629 competitive bid or bond purchase contract, ratings, the identity of the Bond purchasers,  
1630 and other terms of such series of Bonds dependent on such matters. After a Preliminary  
1631 Official Statement has been reviewed and approved in accordance with the provisions of  
1632 this section, the county hereby authorizes distribution of the Preliminary Official  
1633 Statement to prospective purchasers of such series of Bonds.

1634           Following the sale of any series of the Bonds in accordance with Section 28 of  
1635 this ordinance, the Finance Director is hereby authorized to review and approve on behalf  
1636 of the county a final official statement with respect to such Bonds. The county agrees to  
1637 cooperate with the purchaser of such Bonds to deliver or cause to be delivered, within  
1638 seven business days from the date of the Sale Motion and in sufficient time to accompany  
1639 any confirmation that requests payment from any customer of the purchaser, copies of the  
1640 final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule  
1641 and the rules of the Municipal Securities Rulemaking Board ("MSRB").

1642           SECTION 31. Undertaking to Provide Ongoing Disclosure. In each Sale  
1643 Motion, the county council will set forth an undertaking for ongoing disclosure with  
1644 respect to each series of the Bonds, as required by Section (b)(5) of the Rule.

1645           SECTION 32. General Authorization. The appropriate county officials, agents  
1646 and representatives are hereby authorized and directed to do everything necessary for the  
1647 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and  
1648 application of the proceeds of the sale thereof.

1649            **SECTION 33. Investment of Funds and Accounts.** Money in the Parity Bond  
1650 Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund  
1651 and Construction Account may be invested in any investments permitted for funds of the  
1652 county. Obligations purchased as an investment of money in the Revenue Fund, Bond  
1653 Fund and Construction Account and accounts or subaccounts therein shall be deemed at  
1654 all times to be a part of such respective fund, account or subaccount, and the income or  
1655 interest earned, profits realized or losses suffered by a fund, account or subaccount due to  
1656 the investment thereof shall be retained in, credited or charged, as the case may be, to  
1657 such fund or account.

1658            In computing the amount in any fund or account under the provisions of this  
1659 ordinance, obligations purchased as an investment of money therein shall be valued at the  
1660 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1661            **SECTION 34. Defeasance.** In the event that money and/or noncallable  
1662 Government Obligations maturing at such time or times and bearing interest to be earned  
1663 thereon in amounts (together with such money, if necessary) sufficient to redeem and  
1664 retire, refund or defease part or all of the Bonds in accordance with their terms, are set  
1665 aside in a special account of the county to effect such redemption and retirement, and  
1666 such money and the principal of and interest on such Government Obligations are  
1667 irrevocably set aside and pledged for such purpose, then no further payments need be  
1668 made into the Bond Fund for the payment of the principal of and interest on the Bonds so  
1669 provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of  
1670 this ordinance except the right to receive the money so set aside and pledged, and such  
1671 Bonds shall be deemed not to be outstanding hereunder.

1672           Within 30 days of the defeasance of any of the Bonds, the Bond Registrar shall  
1673 provide notice of defeasance of such Bonds to the Registered Owners of the Bonds and to  
1674 each NRMSIR and SID, if any, in accordance with the ongoing disclosure provisions to  
1675 be adopted by the Sale Motion.

1676           SECTION 35. Supplemental Ordinances. The county council from time to  
1677 time and at any time may adopt an ordinance or ordinances supplemental to this  
1678 ordinance which supplemental ordinance or ordinances thereafter shall become a part of  
1679 this ordinance, for any one or more of the following purposes:

1680           A. To add to the covenants and agreements of the county in this ordinance such  
1681 other covenants and agreements thereafter to be observed, which shall not adversely  
1682 affect the interests of the holders and owners of any Parity Bonds or Parity Lien  
1683 Obligations, as applicable, or to surrender any right or power herein reserved to or  
1684 conferred upon the county.

1685           B. To make such provisions for the purpose of curing any ambiguities or of  
1686 curing, correcting or supplementing any defective provision contained in this ordinance  
1687 or any ordinance authorizing Parity Bonds or Parity Lien Obligations in regard to matters  
1688 or questions arising under such ordinances as the county council may deem necessary or  
1689 desirable and not inconsistent with such ordinances and which shall not adversely affect  
1690 the interest of the holders and owners of Parity Bonds or Parity Lien Obligations, as  
1691 applicable.

1692           SECTION 36. Ordinance a Contract; Severability. The covenants contained  
1693 in this ordinance shall constitute a contract between the county and (i) the owners of each  
1694 and every Bond, (ii) the Qualified Counterparty to any Payment Agreement entered into


1695 with respect to any Bonds, and (iii) the provider of any Credit Facility, Qualified  
1696 Insurance or Qualified Letter of Credit with respect to any Bonds. If any one or more of  
1697 the covenants or agreements provided in this ordinance to be performed on the part of the  
1698 county are determined by any court of competent jurisdiction to be contrary to law, then  
1699 such covenant or covenants, agreement or agreements, shall be null and void and shall be  
1700 deemed separable from the remaining covenants and agreements of this ordinance and  
1701 shall in no way affect the validity of the other provisions of this ordinance or of the  
1702 Bonds.  
1703

1704            SECTION 37. Effective Date. This ordinance shall be effective 10 days after its  
1705 enactment, in accordance with Article II of the county charter.  
1706

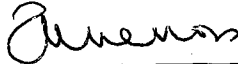
Ordinance 16133 was introduced on 4/28/2008 and passed by the Metropolitan King  
County Council on 6/16/2008, by the following vote:

Yes: 9 - Ms. Patterson, Mr. Dunn, Mr. Constantine, Ms. Lambert, Mr. von  
Reichbauer, Mr. Ferguson, Mr. Gossett, Mr. Phillips and Ms. Hague  
No: 0  
Excused: 0

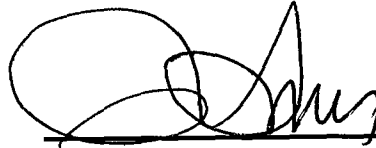
KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

  
\_\_\_\_\_  
Julia Patterson, Chair

ATTEST:

  
\_\_\_\_\_  
Anne Noris, Clerk of the Council

APPROVED this 26 day of June, 2008.

  
\_\_\_\_\_  
Ron Sims, County Executive

**Attachments**      EXHIBIT A Form of Bond, dated June 4, 2008, Exhibit B Form of Parity Lien  
Obligation, dated June 4, 2008

RECEIVED  
2008 JUN 27 PM 2:01  
CLERK  
KING COUNTY COUNCIL

**.EXHIBIT A**

**FORM OF PARITY BOND**

NO. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

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

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

Registered Owner:

Principal Amount:

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

Both principal of and interest on this bond are payable in lawful money of the United States of America. While the 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 the 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 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 t<sup>hc</sup> 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 on the interest payment date to an account with a bank located in the United States.

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 [refund certain obligations of] [provide funds for capital improvements to] the sewer system of the County (the "System").

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 \_\_\_\_\_ of the County and Motion \_\_\_\_\_ of the County Council (together, the "Bond Ordinance"). Capitalized terms used in this bond and not 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.

This Bonds are special limited obligations of the County, all payable solely from the special fund of the County known as the Water Quality Revenue Bond Account (the "Bond Fund"), and are not obligations of the State of Washington or any political subdivision thereof other than the County, and neither the full faith and credit nor the taxing power of the County or the State of Washington or any political subdivision thereof is pledged to the payment of this bond or the Bonds.

The County hereby covenants and agrees with the holder of this bond that it will keep and perform all the covenants of this bond and of the Bond Ordinance to be by it kept and performed. The County has obligated and bound itself to set aside and pay into the Bond Fund out of Revenue of the System the various amounts required by the Bond Ordinance to be paid into and maintained in the Bond Fund, all within the times provided by the Bond Ordinance.

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

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

The pledge of revenues and other obligations of the County under the Bond Ordinance may be discharged prior to maturity of the Bonds by making provision 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 signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

KING COUNTY, WASHINGTON

By \_\_\_\_\_ /s/ \_\_\_\_\_  
King County Executive

ATTEST:

\_\_\_\_\_/s/\_\_\_\_\_  
Clerk of the County Council

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

CERTIFICATE OF AUTHENTICATION

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

WASHINGTON STATE FISCAL  
AGENCY, as Bond Registrar

By \_\_\_\_\_  
Authorized Signatory

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

[Empty rectangular box for Social Security or Taxpayer Identification Number]

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

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

DATED: \_\_\_\_\_, 20\_\_.

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

SIGNATURE GUARANTEED:

\_\_\_\_\_  
NOTICE: Signatures must be guaranteed pursuant to law.

**EXHIBIT B**

**FORM OF PARITY LIEN OBLIGATION**

NO. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

LIMITED TAX GENERAL OBLIGATION [AND] [REFUNDING] 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, 20\_\_, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on \_\_\_\_\_ 1, \_\_\_\_, and semiannually thereafter on the first days of each succeeding \_\_\_\_\_ and \_\_\_\_\_.

Both principal of and interest on this bond are payable in lawful money of the United States of America. While the 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 the 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 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 t<sup>he</sup> 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 on the interest payment date to an account with a bank located in the United States.

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 refund certain obligations of] [provide funds for capital improvements to] the sewer system of the County (the "System").

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 \_\_\_\_\_ of the County 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 Bonds are general obligations of the County. The County has irrevocably covenanted and agreed for as long as any of the Bonds are outstanding and unpaid, that each year it will include in its budget and levy an *ad valorem* tax upon all property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the Bonds as the same shall become due. The County has pledged that the annual tax authorized to be levied for the payment of such principal and interest shall be within and a part of the tax levy permitted to counties without a vote of the people. The full faith, credit and resources of the County have been hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

The County has further obligated and bound itself to set aside and pay into the Bond Fund out of Revenue of the System amounts sufficient to pay when due the principal of and interest on the Bonds. The pledge of Revenue of the System constitutes a lien and charge on such revenue subject to Operating and Maintenance Expenses and junior, subordinate and inferior to the lien and charge on such revenue securing 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 pledged that it will cause the 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 revenues and other obligations of the County under the Bond Ordinance may be discharged prior to maturity of the Bonds by making provision 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 signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

KING COUNTY, WASHINGTON

By \_\_\_\_\_ /s/  
King County Executive

ATTEST:

\_\_\_\_\_/s/  
Clerk of the County Council

The 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 [and Refunding] Bonds (Payable from Sewer Revenues), [applicable year] Series \_\_\_\_, of King County, Washington, dated \_\_\_\_\_, 20\_\_.

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: \_\_\_\_\_, 20\_\_.

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

SIGNATURE GUARANTEED:

---

NOTICE: Signatures must be guaranteed  
pursuant to law.