



# KING COUNTY

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

## Signature Report

June 28, 2010

### Ordinance 16868

**Proposed No.** 2010-0227.1

**Sponsors** Patterson

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 limited tax general obligation  
4 bonds (payable from sewer revenues) of the county in the  
5 aggregate principal amount of not to exceed \$475,000,000 to  
6 provide funds for acquiring and constructing improvements to  
7 the sewer system and not to exceed \$1,000,000,000 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 PREAMBLE:

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

29 Long term service agreements with participating municipalities and other  
30 entities (the "Participants") obligate the county to treat and dispose of  
31 sewage collected by the Participants. The Participants must pay the costs  
32 of such services including debt service on bonds payable from sewer  
33 revenues, including the bonds authorized herein, and other indebtedness  
34 payable from and secured by sewer revenues. Comparable rates and  
35 charge have been established for customers who deliver sewage to the  
36 System but are not subject to a contract with the county for such service.  
37 In accordance with RCW 35.58.200(3), the county has declared that the  
38 health, safety and welfare of people within the metropolitan area require  
39 that certain Participants discharge sewage collected by such Participants  
40 into facilities of the System.

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

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<b>Designation</b>	<b>Ordinance</b>	<b>Date of Issue</b>	<b>Original Principal</b>	<b>Outstanding Principal (2/1/2010)</b>
2001 Bonds	14225	11/28/2001	\$270,060,000	\$219,845,000
2002A Bonds	14406	8/14/2002	100,000,000	94,960,000
2002B Bonds	14406	10/03/2002	346,130,000	226,670,000
2003A Bonds	14406	4/24/2003	96,470,000	90,905,000
2004A Bonds	14753	3/18/2004	185,000,000	185,000,000
2004B Bonds	14753	3/18/2004	61,760,000	57,015,000
2006 Bonds	15385	5/16/2006	124,070,000	124,070,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000	186,810,000
2007 Bonds	15758	6/26/2007	250,000,000	250,000,000
2008 Bonds	16133	8/14/2008	350,000,000	350,000,000
2009 Bonds	16133	8/12/2009	250,000,000	250,000,000

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

<b>Designation</b>	<b>Ordinance</b>	<b>Date of Issue</b>	<b>Original Principal</b>	<b>Outstanding Principal (2/1/2010)</b>
Series 2005	15033	4/21/2005	\$ 200,000,000	\$ 200,000,000

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Series 2008	15779	2/12/2008	236,950,000	230,515,000
Series 2009	16133	4/8/2009	300,000,000	300,000,000

47       The county may have opportunities to refund all or portions of the  
48       currently outstanding Parity Bonds and Parity Lien Obligations (the  
49       "Refunding Candidates") and thereby realize savings to the county and  
50       ratepayers of the Sewer System. It is deemed necessary and advisable that  
51       the county authorize the issuance and sale of not to exceed \$1,000,000,000  
52       principal amount of its bonds payable from sewer revenues (the  
53       "Refunding Bonds") for such refunding opportunities, as provided herein.  
54       It is deemed necessary and desirable that the county also authorize the  
55       issuance and sale of its bonds payable from sewer revenues in the  
56       aggregate principal amount of \$475,000,000 (the "Project Bonds") to pay  
57       costs of certain capital improvements to the System, in accordance with  
58       the comprehensive plan.  
59       Since market conditions can change quickly, it is in the best interest of the  
60       county to delegate to the county's Finance Director authority to sell the  
61       Refunding Bonds and the Project Bonds in one or more series, as either  
62       Parity Bonds or Parity Lien Obligations, or a combination thereof, by  
63       competitive bid or negotiated sale, as provided in this ordinance; provided  
64       that the aggregate principal amount of Project Bonds may not exceed  
65       \$475,000,000 and the aggregate principal amount of Refunding Bonds  
66       may not exceed \$1,000,000,000, and provided further that the sale of any

67 Series of the Bonds will be ratified and confirmed by motion of the  
68 council, as provided herein.

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

75 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

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

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

88 "Additional Subordinate Lien Obligations" means those revenue bonds or other  
89 revenue obligations that may be issued by the county in the future with a lien on Revenue

90 of the System equal to the lien thereon of the Commercial Paper Notes and the Bank  
91 Note.

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

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

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

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

109 (ii) The amount of interest deemed to be payable on any issue of  
110 Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated  
111 on the assumption that the interest rate on those bonds would be equal to the rate (the  
112 "assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or

113 comparable index during the fiscal quarter preceding the quarter in which the calculation  
114 is made; provided, however, that for purposes of determining actual compliance in any  
115 past calendar year with the rate covenant made in Section 18 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 From and after the date when no Series 2005 Bonds, Series 2008 Bonds or Series  
135 2009 Bonds remain outstanding, for purposes of satisfying the rate covenant in Section

136 18.B and the tests for the issuance of additional Parity Lien Obligations in Section 25,  
137 Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt Service  
138 Offsets.

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

141 (1) The interest due for all outstanding Parity Bonds (i) on all interest  
142 payment dates (other than January 1) in such calendar year, and (ii) on January 1 of the  
143 next succeeding year, and any Payment Agreement Payments due on such dates in  
144 respect of Parity Payment Agreements, minus any Payment Agreement Receipts due in  
145 such period in respect of such Parity Payment Agreements.

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

149 (ii) The amount of interest deemed to be payable on any issue of  
150 Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on  
151 those bonds would be equal to the rate (the "assumed RBI rate") that is 90% of the  
152 average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter  
153 preceding the quarter in which the calculation is made; provided, however, that for  
154 purposes of determining actual compliance in any past calendar year with the rate  
155 covenant made in Section 18 of this ordinance, the actual amount of interest paid on any  
156 issue of Variable Rate Parity Bonds shall be taken into account.

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



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

161 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or  
162 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation  
163 Bonds shall be included in the calculation of Annual Debt Service, and references in this  
164 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or  
165 upon the mandatory redemption of any Capital Appreciation Bonds.

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

170 From and after the date when no 2001 Bonds, 2002A Bonds, 2002B Bonds,  
171 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds, 2007  
172 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, for purposes of calculating the  
173 Reserve Requirement and satisfying the rate covenant in Section 18.A and the tests for  
174 the issuance of Future Parity Bonds in Section 24, Annual Parity Debt Service for any  
175 Fiscal Year or calendar year shall exclude any Debt Service Offsets.

176 "Bank Note" means the bank note authorized to be issued by Ordinance 12057 of  
177 the county, as amended, to secure payment of the Commercial Paper Notes.

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

180 "Bond Registrar" means the fiscal agency of the State of Washington in either  
181 Seattle, Washington, or New York, New York, for the purposes of registering and

182 authenticating the Bonds, maintaining the Bond Register, effecting the transfer of  
183 ownership of the Bonds and paying the principal of and interest and redemption  
184 premium, if any, on the Bonds.

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

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

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

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

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

203 "Commercial Paper Notes" means the King County, Washington, Sewer Revenue  
204 Bond Anticipation Notes, Commercial Paper Series A, authorized, issued, and  
205 outstanding from time to time pursuant to Ordinance 12057 of the county, as amended.

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

207 "Comprehensive Plan" means the county's comprehensive water pollution  
208 abatement plan authorized by RCW 35.58.200 and defined in Section 28.82.150 of the  
209 King County Code as the Comprehensive Sewage Disposal Plan adopted by Resolution  
210 No. 23 of the Metro Council on April 22, 1959, and all amendments thereto, together  
211 with any amendments hereafter approved by ordinance of the county.

212 "Construction Account" means the "Second Water Quality Construction  
213 Account," as designated by Section 30 of Ordinance 12076 of the county.

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

226 substitute therefor in accordance with the provisions of the ordinance providing for the  
227 issuance of Parity Lien Obligations supported by a Credit Facility.

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

230 "Debt Service Offset" means receipts of the county, including but not limited to  
231 federal interest subsidy payments, designated as such by the county that are not included  
232 in Gross Revenue and that are legally available to pay debt service on Parity Bonds,  
233 Parity Lien Obligations or other obligations of the county payable from and secured by a  
234 pledge of Gross Revenue.

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

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

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

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

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

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

249 "Junior Lien Obligations" means the county's Junior Lien Variable Rate Demand  
250 Sewer Revenue Bonds, Series 2001A and Series 2001B, issued under date of August 15,  
251 2001, as authorized by Ordinances 14171 and 14172, and any other revenue bonds or  
252 other revenue obligations having a lien on Revenue of the System equal to the lien  
253 thereon of such bonds.

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

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

261 "Multi-Modal LTGO/Sewer Revenue Bonds" means the county's Multi-Modal  
262 Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2009A  
263 and Series 2009B Bonds, and any additional limited tax general obligation bonds of the  
264 county payable from Revenue of the System and having the same lien on such revenue as  
265 such bonds.

266 "Net Revenue" means Revenue of the System less Operating and Maintenance  
267 Expenses.

268 "Operating and Maintenance Expenses" means all normal expenses incurred by  
269 the county in causing the System to be maintained in good repair, working order and  
270 condition and shall include payments to any private or governmental agency for the

271 operation or maintenance of facilities or for the disposal of sewage but shall exclude any  
272 allowance for depreciation.

273 "Parity Bond Fund" means the "Water Quality Revenue Bond Account"  
274 designated pursuant to Section 30 of Ordinance 12076 of the county for the purpose of  
275 paying and securing the payment of the Parity Bonds.

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

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

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

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

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

292 "Parity Lien Obligations" means bonds identified as such in the Preamble to this  
293 ordinance and any future Parity Lien Obligations. "Parity Lien Obligations" include any

294 Parity Lien Obligation Payment Agreements and parity reimbursement agreements  
295 entered into with the provider of a Credit Facility securing any Parity Lien Obligations.

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

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

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

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

315 "Payment Agreement Payments" means the amounts periodically required to be  
316 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The

317 term "Payment Agreement Payments" does not include any termination payment required  
318 to be paid with respect to a Payment Agreement.

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

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

326 "Project Bonds" means the \$475,000,000 aggregate principal amount of bonds of  
327 the county authorized to be issued hereunder to pay costs of acquiring and constructing  
328 improvements to the System. The Project Bonds may be issued in one or more series of  
329 Parity Bonds or Parity Lien Obligations, as provided herein.

330 "Public Works Trust Fund Loans" means loans to the county by the State of  
331 Washington Department of Commerce under the Public Works Trust Fund loan program  
332 pursuant to loan agreements in effect as of the date of this ordinance and any loan  
333 agreements hereafter entered into by the county under the Public Works Trust Fund loan  
334 program, the repayment obligations of which are secured by a lien on Revenue of the  
335 System equal to the lien thereon established by such loan agreements.

336 "Qualified Counterparty" means with respect to a Payment Agreement an entity  
337 (i) whose senior long term debt obligations, other senior unsecured long term obligations  
338 or claims paying ability or whose payment obligations under a Payment Agreement are  
339 guaranteed by an entity whose senior long term debt obligations, other senior unsecured



340 long term obligations or claims paying ability are rated (at the time the Payment  
341 Agreement is entered into) at least as high as A3 by Moody's and A- by S&P (and A- by  
342 Fitch for any Parity Lien Obligation Payment Agreement), or the equivalent thereof by  
343 any successor thereto, and (ii) who is otherwise qualified to act as the other party to a  
344 Payment Agreement under any applicable laws of the State.

345 "Qualified Insurance" means (i) so long as any 2001 Bonds, 2002A Bonds, 2002B  
346 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,  
347 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional  
348 municipal bond insurance policy or surety bond issued by any insurance company  
349 licensed to conduct an insurance business in any state of the United States or by a service  
350 corporation acting on behalf of one or more such insurance companies, which insurance  
351 company or service corporation is rated in one of the two highest rating categories by  
352 Moody's, S&P, and any other rating agency then maintaining a rating on the Parity  
353 Bonds, provided, that, as of the time of issuance of such policy or surety bond, such  
354 insurance company or companies maintain a policy owner's surplus in excess of  
355 \$500,000,000; and (ii) from and after such time as no 2001 Bonds, 2002A Bonds, 2002B  
356 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,  
357 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional  
358 municipal bond insurance policy or surety bond issued by any insurance company  
359 licensed to conduct an insurance business in any state of the United States or by a service  
360 corporation acting on behalf of one or more such insurance companies, which insurance  
361 company or service corporation, as of the time of issuance of such policy or surety bond,  
362 is then rated in one of the two highest rating categories by Moody's, S&P, and any other

363 rating agency then maintaining a rating on the Parity Bonds and maintains a policy  
364 owner's surplus in excess of \$500,000,000.

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

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

373 "RCW" means the Revised Code of Washington.

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

377 "Refunded Bonds" means with respect to each series of Refunding Bonds, those  
378 Refunding Candidates that will be refunded from proceeds of such series of Refunding  
379 Bonds, as determined by the Finance Manager pursuant to Sections 16 and 28 hereof and  
380 set forth in a Sale Motion in accordance with Sections 16 and 28 hereof.

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

383 "Refunding Account" means any account authorized to be created pursuant to  
384 Section 16 hereof to provide for the refunding of any Refunded Bonds.

385 "Refunding Bonds" means not to exceed \$1,000,000,000 principal amount of  
386 bonds authorized to be issued in one or more series by this ordinance to refund the  
387 Refunded Bonds. The Refunding Bonds may be issued in one or more series of Parity  
388 Bonds or Parity Lien Obligations, as provided herein.

389 "Registered Owner" means any person or entity who is the registered owner of  
390 any Bond.

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

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

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

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

402 "S&P" means Standard and Poor's Ratings Services and its successors and  
403 assigns, except that if such entity is dissolved or liquidated or no longer performs the  
404 functions of a securities rating agency, then the term "S&P" will be deemed to refer to  
405 any other nationally recognized securities rating agency selected by the county.

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

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

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

419 "State" means the State of Washington.

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

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

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

428 "Tax-Benefited Bonds" means Bonds other than Tax-Exempt Bonds that are  
429 structured so as to confer certain benefits under the Code to the county or to the owners  
430 of such Bonds, as provided in Section 21 of this ordinance and so designated pursuant to  
431 Section 28.A of this ordinance.

432 "Tax-Exempt Bonds" means Bonds the interest on which the county intends to be  
433 excludable from gross income for federal income tax purposes, as provided in Section 21  
434 of this ordinance and so designated pursuant to Section 28.A of this ordinance.

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

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

440 "Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable  
441 rate of interest, provided that at least one of the following conditions is met: (i) at the  
442 time of issuance the county has entered into a Payment Agreement with respect to such  
443 Parity Bonds, which Agreement converts the effective interest rate to the county on the  
444 Variable Rate Parity Bonds from a variable interest rate to a fixed interest rate, or (ii) the  
445 Parity Bonds bear interest at a variable rate but are issued concurrently in equal par  
446 amounts with other Parity Bonds bearing interest at a variable rate and which are required  
447 to remain outstanding in equal amounts at all times, if the net effect of such equal par  
448 amounts and variable rates at all times is a fixed rate of interest to the county.

449 "Variable Rate Parity Lien Obligations" means Parity Lien Obligations bearing  
450 interest at a variable rate of interest, provided that at least one of the following conditions

451 is met: (i) at the time of issuance the county has entered into a Payment Agreement with  
452 respect to such Parity Lien Obligations, which Agreement converts the effective interest  
453 rate to the county on the Variable Rate Parity Lien Obligations from a variable interest  
454 rate to a fixed interest rate or (ii) the Parity Lien Obligations bear interest at a variable  
455 rate but are issued concurrently in equal par amounts with other Parity Lien Obligations  
456 bearing interest at a variable rate and which are required to remain outstanding in equal  
457 amounts at all times, if the net effect of such equal par amounts and variable rates at all  
458 times is a fixed rate of interest to the county.

459        SECTION 2. **Findings.** Because conditions in the capital markets are volatile,  
460 the council finds that it is in the best interests of the county and ratepayers of the System  
461 that the county retain the flexibility to issue the Bonds in one or more series, as Parity  
462 Bonds or Parity Lien Obligations, to maximize interest rate savings and, where possible,  
463 to achieve further savings by refunding all or some of the Refunding Candidates. To  
464 achieve this flexibility, the council further finds that it is in the best interests of the  
465 county and ratepayers of the System that a plan of refunding and the sale of the Bonds in  
466 one or more series, as Parity Bonds or Parity Lien Obligations, as Tax-Exempt Bonds,  
467 Tax Benefited Bonds or otherwise, by competitive bid or negotiated sale, for current or  
468 future delivery, be determined by the Finance Director, in consultation with the county's  
469 financial advisors. Each sale of a series of Bonds and plan of refunding, will be ratified  
470 and confirmed by the council in a Sale Motion.

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

473 System set forth in the Comprehensive Plan, the county will issue the Project Bonds in  
474 the aggregate principal amount of \$475,000,000.

475 To provide funds to refund the Refunded Bonds, the county will issue one or  
476 more series of Refunding Bonds in principal amounts to be established as provided in  
477 Sections 16 and 28 hereof and in any event not to exceed an aggregate principal amount  
478 of \$1,000,000,000.

479 The Refunding Bonds and Project Bonds may be issued and sold in one or more  
480 series of Parity Bonds or Parity Lien Obligations, as provided in Section 28, each such  
481 series of Parity Bonds to be designated as "King County, Washington, Sewer Revenue  
482 [and Refunding] Bonds" with an applicable year and series designation, and each such  
483 series of Parity Lien Obligations to be designated as "King County Limited Tax General  
484 Obligations [and Refunding] Bonds (Payable from Sewer Revenue)" with an applicable  
485 year and series description. The Bonds will be fully registered as to both principal and  
486 interest, will be in the denomination of \$5,000 each or any integral multiple thereof (but  
487 no Bond shall represent more than one maturity), will be numbered separately in such  
488 manner and with any additional designation as the Bond Registrar deems necessary for  
489 purposes of identification, and will be dated as of such date and mature on the dates, in  
490 the years and the amounts established as provided in Section 28 hereof.

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

495 and ratified and confirmed by a Sale Motion. The Accreted Values of any Bonds that are  
496 Capital Appreciation Bonds will be set forth in a Sale Motion.

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

498 A. Bond Registrar/Bond Register. In accordance with K.C.C. 4.84, the  
499 county hereby adopts for the Bonds the system of registration specified and approved by  
500 the Washington State Finance Committee, which utilizes the fiscal agencies of the State  
501 of Washington in Seattle, Washington, and New York, New York, as registrar,  
502 authenticating agent, paying agent and transfer agent (collectively, the "Bond Registrar").  
503 The Bond Registrar will keep, or cause to be kept, at its principal corporate trust office,  
504 sufficient books for the registration and transfer of the Bonds, which will at all times be  
505 open to inspection by the county. The Bond Registrar is authorized, on behalf of the  
506 county, to authenticate and deliver the Bonds transferred or exchanged in accordance  
507 with the provisions of such Bonds and this ordinance and to carry out all of the Bond  
508 Registrar's powers and duties under this ordinance.

509 The Bond Registrar will be responsible for its representations contained in the  
510 Certificate of Authentication on the Bonds. The Bond Registrar may become the  
511 Registered Owner of Bonds with the same rights it would have if it were not the Bond  
512 Registrar, and to the extent permitted by law may act as depositary for and permit any of  
513 its officers or directors to act as a member of, or in any other capacity with respect to, any  
514 committee formed to protect the rights of Registered Owners.

515 B. Registered Ownership. The county and the Bond Registrar, each in its  
516 discretion, may deem and treat the Registered Owner of each Bond as the absolute owner  
517 thereof for all purposes, and neither the county nor the Bond Registrar will be affected by



518 any notice to the contrary. Payment of any such Bond will be made only as described in  
519 Section 4.G hereof, but such registration may be transferred as herein provided. All such  
520 payments made as described in Section 4.G will be valid and will satisfy and discharge  
521 the liability of the county upon such Bond to the extent of the amount or amounts so paid.  
522 The county and the Bond Registrar are entitled to treat the person in whose name any  
523 Bond is registered as the absolute owner thereof for all purposes of this ordinance and  
524 any applicable laws, notwithstanding any notice to the contrary received by the Bond  
525 Registrar or the county.

526 C. DTC Acceptance/Letter of Representations. The Bonds will initially be  
527 held in fully immobilized form by DTC acting as depository. To induce DTC to accept  
528 the Bonds as eligible for deposit at DTC, the county has heretofore executed and  
529 delivered to DTC a Blanket Issuer Letter of Representations.

530 Neither the county nor the Bond Registrar will have any responsibility or  
531 obligation to DTC participants or the persons for whom they act as nominees with respect  
532 to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC  
533 participant, the payment by DTC or any DTC participant of any amount in respect of the  
534 principal of or interest on the Bonds, any notice which is permitted or required to be  
535 given to Registered Owners under this ordinance (except such notices as are required to  
536 be given by the county to the Bond Registrar or to DTC), or any consent given or other  
537 action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully  
538 immobilized form hereunder, DTC or its successor depository will be deemed to be the  
539 Registered Owner for all purposes hereunder, and all references herein to the Registered

540 Owners will mean DTC or its nominee and will not mean the owners of any beneficial  
541 interest in the Bonds.

542 D. Use of Depository.

543 (1) The Bonds will be registered initially in the name of "Cede & Co.,"  
544 as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds  
545 of each series in a denomination corresponding to the total principal therein designated to  
546 mature on such date. Registered ownership of such immobilized Bonds, or any portions  
547 thereof, may not thereafter be transferred except (i) to any successor of DTC or its  
548 nominee, provided that any such successor must be qualified under any applicable laws to  
549 provide the service proposed to be provided by it; (ii) to any substitute depository  
550 appointed by the county pursuant to subsection (2) below or such substitute depository's  
551 successor; or (iii) to any person as provided in subsection (4) below.

552 (2) Upon the resignation of DTC or its successor (or any substitute  
553 depository or its successor) from its functions as depository or a determination by the  
554 county to discontinue the system of book entry transfers through DTC or its successor (or  
555 any substitute depository or its successor), the county may hereafter appoint a substitute  
556 depository. Any such substitute depository must be qualified under any applicable laws  
557 to provide the services proposed to be provided by it.

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

562 such substitute depository, or their nominees, as the case may be, all as specified in such  
563 written request of the county.

564 (4) In the event that (i) DTC or its successor (or substitute depository  
565 or its successor) resigns from its functions as depository, and no substitute depository can  
566 be obtained, or (ii) the county determines that it is in the best interest of the beneficial  
567 owners of any of the Bonds that they be able to obtain such Bonds in the form of bond  
568 certificates, the ownership of Bonds may then be transferred to any person or entity as  
569 herein provided, and the Bonds will no longer be held in fully immobilized form. The  
570 county will deliver a written request to the Bond Registrar, together with a supply of  
571 definitive Bonds, to issue Bonds as herein provided in any authorized denomination.  
572 Upon receipt of all then outstanding Bonds by the Bond Registrar together with a written  
573 request on behalf of the county to the Bond Registrar, new Bonds will be issued in such  
574 denominations and registered in the names of such persons as are requested in such  
575 written request.

576 E. Transfer or Exchange of Registered Ownership; Change in  
577 Denominations. The registered ownership of any Bond may be transferred or exchanged,  
578 but no transfer of any Bond will be valid unless it is surrendered to the Bond Registrar  
579 with the assignment form appearing on such Bond duly executed by the Registered  
580 Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the  
581 Bond Registrar. Upon such surrender, the Bond Registrar will cancel the surrendered  
582 Bond and will authenticate and deliver, without charge to the Registered Owner or  
583 transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of  
584 the same series, date, maturity and interest rate and for the same aggregate principal

585 amount in any authorized denomination, naming as Registered Owner the person or  
586 persons listed as the assignee on the assignment form appearing on the surrendered Bond,  
587 in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to  
588 the Bond Registrar and exchanged, without charge, for an equal aggregate principal  
589 amount of Bonds of the same date, maturity and interest rate, in any authorized  
590 denomination. The Bond Registrar is not obligated to transfer or exchange any Bond  
591 during a period beginning at the opening of business on the 15<sup>th</sup> day of the month next  
592 preceding any interest payment date and ending at the close of business on such interest  
593 payment date, or, in the case of any proposed redemption of the Bonds, after the mailing  
594 of notice of the call of such Bonds for redemption.

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

598 G. Place and Medium of Payment. Both principal of and interest on the  
599 Bonds are payable in lawful money of the United States of America. For so long as all  
600 Bonds are in fully immobilized form, payments of principal and interest thereon will be  
601 made as provided in accordance with the operational arrangements of DTC referred to in  
602 the Letter of Representations. If the Bonds are no longer held in fully immobilized form,  
603 interest on the Bonds will be paid by check or draft mailed to the Registered Owners at  
604 the addresses for such Registered Owners appearing on the Bond Register on the 15<sup>th</sup>  
605 day of the month preceding the interest payment date; provided, however, that if so  
606 requested in writing by the Registered Owner of at least \$1,000,000 principal amount of a  
607 series of Bonds, interest will be paid by wire transfer on the interest payment date to an

608 account with a bank located within the United States. Principal of the Bonds is payable  
609 upon presentation and surrender of such Bonds by the Registered Owners at the principal  
610 office of the Bond Registrar.

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

616         If less than all of the Bonds subject to optional redemption are called for  
617 redemption, the county may choose the maturities to be redeemed. If less than a whole of  
618 a maturity is called for redemption, the Bonds to be redeemed will be chosen by a method  
619 to be established in connection with the sale of each series of the Bonds in accordance  
620 with Section 28 of this ordinance.

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

626         Any optional redemption of Bonds may be subject to such conditions, including  
627 but not limited to the receipt of refunding bond proceeds, as the county may set forth in  
628 the notice of redemption, as provided in Section 6 of this ordinance.

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

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

632            A.     Notice of Redemption. Written notice of any redemption of Bonds will be  
633 given by the Bond Registrar on behalf of the county by first class mail, postage prepaid,  
634 not less than 30 days nor more than 60 days before the redemption date to the Registered  
635 Owners of Bonds that are to be redeemed at their last addresses shown on the Bond  
636 Register. So long as the Bonds are in book-entry form, notice of redemption will be  
637 given as provided in the Letter of Representations. The Bond Registrar will provide  
638 additional notice of redemption (at least 30 days) to the MSRB in accordance with the  
639 ongoing disclosure provisions to be adopted by the Sale Motion.

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

642            Each notice of redemption will contain the following information: (1) the  
643 redemption date, (2) the redemption price, (3) any condition to the redemption (including,  
644 but not limited, to the receipt of proceeds of refunding bonds), (4) if less than all  
645 outstanding Bonds are to be redeemed, the identification (and, in the case of partial  
646 redemption, the principal amounts) of the Bonds to be redeemed, (5) that on the  
647 redemption date, upon the satisfaction of any conditions, the redemption price will  
648 become due and payable upon each Bond or portion called for redemption, and that  
649 interest will cease to accrue from the redemption date, (6) that the Bonds are to be  
650 surrendered for payment at the principal office of the Bond Registrar, (7) the CUSIP  
651 numbers of all Bonds being redeemed, (8) the dated date of the Bonds, (9) the rate of  
652 interest for each Bond being redeemed, (10) the date of the notice, (11) information  
653 regarding the county's right to cancel an optional redemption prior to the designated

654 redemption date by giving notice of such cancellation, and (12) any other information  
655 relating to the redemption or to the Bonds being redeemed.

656         Upon the payment of the redemption price of Bonds being redeemed, each check  
657 or other transfer of funds issued for such purpose will bear the CUSIP number  
658 identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such  
659 check or other transfer.

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

664         C.     Effect of Redemption. Unless the county has cancelled a notice of  
665 redemption or a condition to the redemption has not been satisfied, the county will  
666 transfer to the Bond Registrar amounts that, in addition to other money, if any, held by  
667 the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to  
668 be redeemed. From the redemption date interest on each Bond to be redeemed will cease  
669 to accrue.

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

675         SECTION 7. Form of Bonds; Execution of Bonds. The Bonds will be in  
676 substantially the forms set forth in Exhibits A and B of this ordinance, as applicable. The

677 Bonds will be executed on behalf of the county with the manual or facsimile signatures of  
678 the county executive and the clerk of the county council, and will have the seal of the  
679 county impressed or imprinted thereon.

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

689 Only Bonds that bear thereon a Certificate of Authentication in the forms set forth  
690 in Exhibits A and B of this ordinance, as applicable, manually executed by the Bond  
691 Registrar, will be valid or obligatory for any purpose or entitled to the benefits of this  
692 ordinance. Such Certificate of Authentication will be conclusive evidence that the Bonds  
693 so authenticated have been duly executed, authenticated and delivered hereunder and are  
694 entitled to the benefits of this ordinance.

695 **SECTION 8. Mutilated, Lost, or Destroyed Bonds.** If any Bond becomes  
696 mutilated, the Bond Registrar will authenticate and deliver a new Bond of like series,  
697 amount, date, interest rate and tenor in exchange and substitution for the Bond so  
698 mutilated, upon the owner's paying the expenses and charges of the county and the Bond  
699 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond



700 so mutilated. Every mutilated Bond so surrendered will be canceled and destroyed by the  
701 Bond Registrar.

702 In case the Bonds or any of them are lost, stolen or destroyed, the Bond Registrar  
703 may authenticate and deliver a new Bond or Bonds of like series, amount, date, and tenor  
704 to the Registered Owner thereof upon the owner's paying the expenses and charges of the  
705 county and the Bond Registrar in connection therewith and upon his or her filing with the  
706 Bond Registrar evidence satisfactory to the Bond Registrar that such Bond or Bonds were  
707 actually lost, stolen or destroyed and of his or her ownership thereof, and upon furnishing  
708 the county and Bond Registrar with indemnity satisfactory to the Finance Director and  
709 the Bond Registrar.

710 SECTION 9. Parity Bond Fund. There has heretofore been created a special  
711 fund of the county known as the "Water Quality Revenue Bond Account" (the "Parity  
712 Bond Fund"). The Parity Bond Fund is at all times completely segregated and set apart  
713 from all other funds and accounts of the county and is a trust fund for the security and  
714 payment of the principal of and interest and any redemption premium on any Parity  
715 Bonds. All money credited to the Parity Bond Fund is pledged and ordered to be used for  
716 the sole purpose of paying the principal of and interest and any redemption premium on  
717 the Parity Bonds.

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

723 in the Debt Service Account and Parity Bond Reserve Account, and any other money on  
724 deposit in the Debt Service Account and legally available, to pay the principal of and  
725 interest on outstanding Parity Bonds as the same become due and payable.

726 For each series of the Bonds that are Parity Bonds there is hereby authorized to be  
727 created a special subaccount in the Debt Service Account. All money required by this  
728 Section 9.A to be deposited into the Debt Service Account for the payment of principal of  
729 and interest on such series of the Bonds will be deposited into the subaccount created for  
730 such series. Money in such subaccount will be treated in all respects as all other money  
731 in the Debt Service Account, but will be accounted for separately for the purpose of  
732 calculating any Rebate Amount payable with respect to such series of the Bonds.

733 Payments on account of each series of the Bonds that are Parity Bonds will be  
734 made out of the Revenue of the System into the applicable debt service subaccount in the  
735 Parity Bond Fund on or before the day each payment of interest on or principal of such  
736 Bonds is due.

737 B. Term Bond Provisions. If any Bonds issued as Parity Bonds are  
738 designated as Term Bonds pursuant to Section 28 hereof, the Sale Motion for such series  
739 of Bonds will set forth a mandatory redemption schedule to amortize the principal of such  
740 Parity Term Bonds. Payments of principal of Parity Term Bonds under any such  
741 mandatory redemption schedule will be made from the Debt Service Account, as  
742 provided in Section 9.A above; provided, however, that if more than the required  
743 principal amount of such Parity Term Bonds is retired by purchase or optional  
744 redemption in any given year, the mandatory redemption amount in the next succeeding  
745 year or years may be reduced accordingly.

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

751           C.     Parity Bond Reserve Account. A Parity Bond Reserve Account has  
752 heretofore been established in the Parity Bond Fund. The county hereby pledges that it  
753 will pay into and maintain in the Parity Bond Reserve Account an amount that together  
754 with other funds in the Parity Bond Reserve Account will be at least equal to the Reserve  
755 Requirement. The county may substitute Qualified Insurance or a Qualified Letter of  
756 Credit for amounts required to be paid into or maintained in the Parity Bond Reserve  
757 Account. Such Qualified Letter of Credit or Qualified Insurance must not be cancelable  
758 on less than five years' notice. In the event of any cancellation, the Parity Bond Reserve  
759 Account will be funded in accordance with the provisions of this section providing for  
760 payment in the event of a deficiency therein, as if the Parity Bonds that remain  
761 outstanding had been issued on the date of such notice of cancellation.

762           On the date of Closing of a series of Bonds that are Parity Bonds, an amount  
763 sufficient to establish the Reserve Requirement in the Parity Bond Reserve Account  
764 required by the issuance of each series of Bonds must be deposited therein from the  
765 proceeds of Parity Bonds or other funds available therefor or provided for by Qualified  
766 Insurance or a Qualified Letter of Credit, as herein permitted.

767           If there is a deficiency in the Debt Service Account to make any payment when  
768 due of either principal of or interest on any Parity Bonds, such deficiency will be made

769 up from the Parity Bond Reserve Account by the withdrawal of money therefrom and by  
770 the sale or redemption of obligations held in the Parity Bond Reserve Account, if  
771 necessary, in such amounts as will provide cash in the Parity Bond Reserve Account  
772 sufficient to make up any such deficiency. If a deficiency still exists immediately prior to  
773 an interest payment date and after the withdrawal of cash, the county will then draw from  
774 any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in  
775 sufficient amount to make up the deficiency. Such draw will be made at such times and  
776 under such conditions as the agreement for such Qualified Letter of Credit or such  
777 Qualified Insurance provides. If more than one Qualified Letter of Credit or Qualified  
778 Insurance is available, draws will be made ratably thereon to make up the deficiency.  
779 Any deficiency created in the Parity Bond Reserve Account by reason of any such  
780 withdrawal must then be made up from Revenue of the System that is available after first  
781 making the payments required to be made under paragraph "FIRST" through "THIRD" of  
782 Section 14 hereof.

783         Income from the investment of money in the Parity Bond Reserve Account will  
784 be deposited in and become a part of the Parity Bond Fund.

785         **SECTION 10. Parity Lien Obligation Bond Fund.** There has heretofore been  
786 created a special fund of the county known as the "Water Quality Limited Tax General  
787 Obligation Bond Redemption Fund" (the "Parity Lien Obligation Bond Fund"). The  
788 Parity Lien Obligation Bond Fund is at all times completely segregated and set apart from  
789 all other funds and accounts of the county and is a trust fund for the security and payment  
790 of the principal of and interest and any redemption premium on the Parity Lien  
791 Obligations. All money credited to the Parity Lien Obligation Bond Fund is pledged and

792 ordered to be used for the sole purpose of paying the principal of and interest and any  
793 redemption premium on the Parity Lien Obligations.

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

802             For each series of the Bonds issued as Parity Lien Obligations, there is hereby  
803 authorized to be created a special subaccount in the Debt Service Account. All money  
804 required by this Section 10.A to be deposited into the Debt Service Account for the  
805 payment of principal of and interest on such series of the Bonds will be deposited into the  
806 subaccount created for such series. Money in such subaccount will be treated in all  
807 respects as all other money in the Debt Service Account, but will be accounted for  
808 separately for the purpose of calculating any Rebate Amount payable with respect to such  
809 series of the Bonds.

810             Payments on account of each series of the Bonds issued as Parity Lien  
811 Obligations will be made out of the Revenue of the System into the applicable debt  
812 service subaccount in the Parity Lien Obligation Bond Fund on or before the day each  
813 payment of interest on or principal of such Bonds is due.

814           B.     Term Bond Provisions. If any Bonds issued as Parity Lien Obligations are  
815 designated as Term Bonds pursuant to Section 28 hereof, the Sale Motion for such series  
816 of Bonds will set forth a mandatory redemption schedule to amortize the principal of such  
817 Parity Lien Obligation Term Bonds. Payments of principal of Parity Lien Obligation  
818 Term Bonds under any such mandatory redemption schedule will be made from the Debt  
819 Service Account, as provided in Section 10.A above; provided, however, that if more  
820 than the required principal amount of such Parity Lien Obligation Term Bonds is retired  
821 by purchase or optional redemption in any given year, the mandatory redemption amount  
822 in the next succeeding year or years may be reduced accordingly.

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

828           **SECTION 11. Pledge of Taxation and Credit.** The county hereby irrevocably  
829 covenants and agrees for as long as any Bonds issued as Parity Lien Obligations are  
830 outstanding and unpaid, that each year it will include in its budget and levy an *ad*  
831 *valorem* tax upon all the property within the county subject to taxation in an amount that  
832 will be sufficient, together with all other revenues and money of the county legally  
833 available for such purposes, to pay the principal of and interest on such Bonds issued as  
834 Parity Lien Obligations as the same become due. All of such taxes so collected will be  
835 paid into the Parity Lien Obligation Bond Fund no later than the date such funds are

836 required for the payment of principal and interest on such Bonds issued as Parity Lien  
837 Obligations.

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

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

849           Any Bonds issued hereunder as Parity Bonds are not general obligations of the  
850 county, and no pledge of taxes secures the payment of any such Bonds issued as Parity  
851 Bonds hereunder.

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

853           A.     Parity Bonds. The amounts covenanted to be paid out of the Revenue of  
854 the System into the Parity Bond Fund and the accounts therein shall constitute a lien and  
855 charge on such revenue superior to all other charges of any kind or nature except  
856 Operating and Maintenance Expenses, and of equal lien to any charges heretofore or  
857 hereafter made upon the Revenue of the System for the payment of the principal of and  
858 interest on any Parity Bonds.

859 In the event that money and investments in the Debt Service Account of the Parity  
860 Bond Fund and the Parity Bond Reserve Account are reduced below the amounts  
861 required to pay the principal and/or interest then due and payable on any Parity Bonds,  
862 funds on deposit in any reserve created in the Revenue Fund not then required for the  
863 payment of necessary Operating and Maintenance Expenses will be transferred to the  
864 Debt Service Account of the Parity Bond Fund to the extent required to pay such  
865 principal and interest.

866 B. Parity Lien Obligations. The amounts covenanted to be paid out of the  
867 Revenue of the System into the Parity Lien Obligation Bond Fund and the accounts  
868 therein shall constitute a lien and charge on such Revenue subject to Operating and  
869 Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on  
870 such Revenue for the payments required by the ordinances authorizing the Parity Bonds  
871 to be made into the Parity Bond Fund and the accounts therein, and equal to the lien and  
872 charge on such Revenue of the payments required to be made by the ordinances  
873 authorizing the issuance of the outstanding Parity Lien Obligations and any additional  
874 Parity Lien Obligations, and superior to all other liens and charges on such Revenue  
875 whatsoever.

876 SECTION 13. Revenue Fund. There has heretofore been created a special fund  
877 of the county known as the "Water Quality Operating Account" (the "Revenue Fund").  
878 All of the Revenue of the System will be deposited in the Revenue Fund. All Operating  
879 and Maintenance Expenses will be paid out of the Revenue Fund or appropriate reserves  
880 therein.



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

888           **SECTION 14. Sewer Revenue Priorities of Payment.** So long as any Bond is  
889 outstanding, the Revenue of the System will be deposited into the Revenue Fund and  
890 used and applied in the following order of priority:

891           First, to pay all Operating and Maintenance Expenses;

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

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

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

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

907           Sixth, to make all required payments of principal of and interest on the Junior  
908 Lien Obligations as the same become due and payable, to make all Payment Agreement  
909 Payments with respect to any Payment Agreements entered into with respect to Junior  
910 Lien Obligations, and to make any payments required to be made to providers of any  
911 credit enhancement or liquidity facilities for Junior Lien Obligations;

912           Seventh, to make all required payments of principal of and interest on the Multi-  
913 Modal LTGO/Sewer Revenue Lien Obligations as the same become due and payable, to  
914 make all Payment Agreement Payments for any Payment Agreements entered into with  
915 respect to Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments  
916 required to be made to providers of credit enhancements or liquidity facilities for any  
917 Multi-Modal LTGO/Sewer Revenue Bonds;

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

920           Ninth, to make all required payments of principal and interest on bonds, notes,  
921 warrants and other evidences of indebtedness, the lien and charge against Revenue of the  
922 System of which is junior and inferior to the Subordinate Lien Obligations, as the same  
923 become due and payable; and

924           Tenth, to make all required payments of principal and interest due on the SRF  
925 Loans and the Public Works Trust Fund Loans.

926 Any surplus money that the county may have on hand in the Revenue Fund after  
927 making all required payments set forth above may be used by the county (i) to make  
928 necessary improvements, additions and repairs to and extensions and replacements of the  
929 System, (ii) to purchase or redeem and retire outstanding sewer revenue bonds of the  
930 county, (iii) to make deposits into the Rate Stabilization Fund, or (iv) for any other lawful  
931 purposes of the county related to the System.

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

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

941 Money in each Construction Subaccount will be held and applied to pay costs of  
942 acquiring, constructing and equipping improvements, additions or betterments to the  
943 System set forth in the Comprehensive Plan and all costs incidental thereto, including but  
944 not limited to engineering, architectural, planning, financial, legal, urban design or any  
945 other incidental costs, and to repay any advances heretofore or hereafter made on account  
946 of such costs, provided that if deficiencies exist in the Parity Bond Fund or Parity Lien  
947 Obligation Bond Fund, money in any Construction Subaccount may be transferred to  
948 such Fund in such amounts as will be necessary to pay principal of and interest on the

949 Bonds. Pursuant to a Sale Motion, proceeds of a series of Bonds may be designated to  
950 pay capitalized interest on such Bonds and may be held in the applicable Construction  
951 Subaccount or in a trust account to be established with an escrow agent appointed by the  
952 Finance Director, as provided in such Sale Motion.

953 B. Disposition of Bond Proceeds. The proceeds of the Bonds will be  
954 deposited as follows:

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

959 (2) Proceeds of each series of the Bonds issued as Parity Bonds may  
960 be deposited into the Parity Bond Reserve Account, as will be provided for in each Sale  
961 Motion for any Bonds issued as Parity Bonds.

962 (3) The balance of the proceeds of any Project Bonds will be deposited  
963 in the appropriate Construction Subaccount (including an escrow account that may be  
964 established for capitalized interest) as provided in Subsection A of this Section 15 and  
965 applied as provided in subsection A of this Section 15.

966 (4) The balance of the proceeds of any Refunding Bonds will be  
967 deposited into the appropriate Refunding Account (as hereinafter defined) and applied as  
968 provided in Section 16 of this ordinance.

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

970 A. Refunding Account; Guidelines for Refunding. There is hereby  
971 authorized to be established one or more special accounts of the county to be maintained

972 with the Escrow Agent (as hereinafter defined) each to be known as a "King County  
973 [appropriate year and series designation] Sewer Revenue Bonds Refunding Account"  
974 (each a "Refunding Account"). Each Refunding Account will be drawn upon for the sole  
975 purpose of paying the principal of and interest and redemption premium, if any, on the  
976 applicable Refunded Bonds and of paying costs related to issuance of such series of  
977 Refunding Bonds and to refunding the applicable Refunded Bonds. Proceeds of the sale  
978 of any Refunding Bonds, together with other county funds that may be designated for  
979 such purpose, will be deposited into each Refunding Account to provide for refunding the  
980 applicable Refunded Bonds, as authorized by the ordinances authorizing the Refunded  
981 Bonds, and to pay the costs of issuance of such Refunding Bonds.

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

992         B.     Plan of Refunding. Each plan of refunding and call for redemption of  
993 Refunded Bonds will be set forth in and ratified and confirmed by a Sale Motion. Money  
994 in each Refunding Account will be used immediately upon receipt thereof to defease the

995 applicable Refunded Bonds and discharge the other obligations of the county relating  
996 thereto under the ordinances that authorized such Refunded Bonds, by providing for the  
997 payment of the principal of and interest and redemption premium, if any, on such  
998 Refunded Bonds as set forth in a Sale Motion. The county will defease such bonds and  
999 discharge such obligations by the use of the money in each Refunding Account to  
1000 purchase Government Obligations (which obligations so purchased, are herein called  
1001 "Escrow Securities") bearing such interest and maturing as to principal and interest in  
1002 such amounts and at such times that, together with any necessary beginning cash balance,  
1003 will provide for the payment of such Refunded Bonds, as set forth in the Sale Motion.  
1004 Such Escrow Securities will be purchased at a yield not greater than the yield permitted  
1005 by the Code and regulations relating to obligations acquired in connection with refunding  
1006 bond issues.

1007           In connection with the issuance of each series of the Refunding Bonds, to carry  
1008 out the refunding and defeasance of Refunded Bonds, the Finance Director is hereby  
1009 authorized to appoint as escrow agent a bank or trust company qualified by law to  
1010 perform the duties described herein (each, an "Escrow Agent"). Any beginning cash  
1011 balance and the Escrow Securities will be irrevocably deposited with the Escrow Agent  
1012 in an amount sufficient to defease the Refunded Bonds in accordance with this Section 16  
1013 and a Sale Motion.

1014           The county will take such actions as are found necessary to see that all necessary  
1015 and proper fees, compensation and expenses of the Escrow Agent are paid when due.  
1016 The proper officers and agents of the county are directed to obtain from each Escrow  
1017 Agent an agreement setting forth the duties, obligations and responsibilities of such

1018 Escrow Agent in connection with the redemption and retirement of the Refunded Bonds  
1019 as provided herein and setting forth provisions for the payment of the fees, compensation  
1020 and expenses of such Escrow Agent as are satisfactory to it. To carry out the purposes of  
1021 this section of this ordinance, the Finance Director is authorized and directed to execute  
1022 and deliver to each Escrow Agent an escrow agreement in form approved by the county's  
1023 bond counsel.

1024 C. Findings of Savings and Defeasance. By a Sale Motion, the council will  
1025 set forth its findings of savings and defeasance with respect to those Refunded Bonds  
1026 authorized to be refunded from the proceeds of each series of Refunding Bonds.

1027 SECTION 17. Due Regard for Expenses. The county council hereby declares  
1028 that, in fixing the amounts to be paid into the Parity Bond Fund and Parity Lien  
1029 Obligation Bond Fund, as applicable, and the accounts therein, out of the Revenue of the  
1030 System, it has exercised due regard for the necessary Operating and Maintenance  
1031 Expenses and has not obligated the county to set aside, pay into and maintain in said fund  
1032 and accounts a greater amount of the Revenue of the System than in its judgment will be  
1033 available over and above such necessary Operating and Maintenance Expenses.

1034 SECTION 18. Rate Covenants.

1035 A. Parity Bonds. The county hereby covenants with the owner of each of the Bonds  
1036 issued as Parity Bonds for so long as any of the same are outstanding that the county will  
1037 at all times establish, maintain and collect rates and charges for sewage disposal service  
1038 that, together with the interest to be earned on investments of money in the Revenue  
1039 Fund, Parity Bond Fund, Parity Bond Reserve Account and Construction Account, will

1040 provide in each calendar year Net Revenue in an amount equal to at least 1.15 times the  
1041 amount required to pay the Annual Parity Debt Service for such calendar year.

1042 At all times and in any event, rates and charges for sewage disposal service will  
1043 be sufficient to provide funds adequate to operate and maintain the System, to make all  
1044 payments and to establish and maintain all reserves required by this or any other  
1045 ordinance authorizing obligations of the county payable from Revenue of the System, to  
1046 make up any deficit in such payments remaining from prior years and to pay all costs  
1047 incurred in the construction or acquisition of any portion of the Comprehensive Plan that  
1048 may be ordered by the county and for the payment of which sewer revenue bonds (or  
1049 other obligations payable from Revenue of the System) are not issued.

1050 B. Parity Lien Obligations. The county hereby covenants with the owner of  
1051 each of the Bonds issued as Parity Lien Obligations for so long as any of the same are  
1052 outstanding that the county will at all times establish, maintain and collect rates and  
1053 charges for sewage disposal service that will be fair and nondiscriminatory and adequate  
1054 to provide Revenue of the System sufficient for the proper operation and maintenance of  
1055 the System; for the punctual payment of the principal of and interest on all outstanding  
1056 Parity Bonds for which payment has not otherwise been provided and all amounts that the  
1057 county is obligated to set aside in the Parity Bond Fund securing the Parity Bonds; for the  
1058 punctual payment of the principal of and interest on all outstanding Parity Lien  
1059 Obligations and for all amounts that the county is obligated to set aside in the Parity Lien  
1060 Obligation Bond Fund; and for the payment of any and all other amounts that the county  
1061 is now or may hereafter become obligated to pay from Revenue of the System.



1062           The county hereby further covenants with the owner of each of the Bonds issued  
1063 as Parity Lien Obligations for so long as any of the same are outstanding that the county  
1064 will at all times establish, maintain and collect rates and charges for sewage disposal  
1065 service that, together with the interest to be earned on investments made of money in the  
1066 Revenue Fund, Construction Account, Parity Bond Fund and the Parity Lien Obligation  
1067 Bond Fund, will provide in each calendar year Net Revenue in an amount equal to at least  
1068 1.15 times the amounts required to pay the Annual Debt Service for such calendar year.

1069           C.     Rate Stabilization Account. For the purpose of meeting the requirements  
1070 of this Section 18, there may be added to Revenue of the System for any fiscal year any  
1071 amount withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund.  
1072 For any fiscal year, amounts withdrawn from the Revenue Fund and deposited into the  
1073 Rate Stabilization Fund for such fiscal year must be subtracted from Net Revenue.

1074           SECTION 19. Certain Other Covenants of the Bonds. The county hereby  
1075 covenants with the owner and holder of each of the Bonds for as long as any of such  
1076 Bonds are outstanding, as follows:

1077           A.     Maintain in Good Order. The county will cause the System and the  
1078 business in connection therewith to be operated in a safe, sound, efficient, and economic  
1079 manner in compliance with all health, safety, and environmental laws, regulatory body  
1080 rules, regulatory body orders and court orders applicable to the county's operation of the  
1081 System, and will cause to be maintained, preserved, reconstructed, expanded and kept,  
1082 with all appurtenances and every part and parcel thereof, in good repair, working order  
1083 and condition, and will from time to time cause to be made, without undue deferral, all

1084 necessary or proper repairs, replacements and renewals, so that all times the operation of  
1085 the System will be properly and advantageously conducted.

1086       B.     Books and Records. The county will cause proper books of record and  
1087 accounts of operation of the System to be kept, including an annual financial report.

1088       C.     Annual Audit. The county will cause its books of accounts, including its  
1089 annual financial report, to be audited annually by the State auditor's office or other State  
1090 department or agency as may be authorized and directed by law to make such audits, or if  
1091 such an audit is not made for twelve months after the close of any fiscal year of the  
1092 county, by a Certified Public Accountant. The county will furnish such audit to the  
1093 owner or holder of any Parity Bond or Parity Lien Obligation upon written request  
1094 therefor.

1095       D.     Insurance. The county will at all times carry fire and extended coverage  
1096 and such other forms of insurance on such of the buildings, equipment, facilities and  
1097 properties of the Sewer System as under good practice are ordinarily carried on such  
1098 buildings, equipment, facilities and properties by municipal or privately owned utilities  
1099 engaged in the operation of sewer systems and will also carry adequate public liability  
1100 insurance at all times, provided that the county may, if deemed advisable by the county  
1101 council, institute or continue a self insurance program with respect to any or all of the  
1102 aforementioned risks.

1103       E.     Construction. The county will cause the construction of any duly  
1104 authorized and ordered portions of the Comprehensive Plan to be performed and  
1105 completed within a reasonable time and at the lowest reasonable cost.

1106           F.     Collection of Revenue. The county will so operate and maintain the  
1107 System and conduct its affairs as to entitle it at all times to receive and enforce payment  
1108 to it of sewage disposal charges payable (i) pursuant to the ordinance or ordinances  
1109 establishing a tariff of rates and charges for sewage disposal services and (ii) under any  
1110 Service Agreement that the county has now or may hereafter enter into and to entitle the  
1111 county to collect all revenues derived from the operation of the System. The county shall  
1112 not release the obligations of any person, corporation or political subdivision under such  
1113 tariff of rates and charges or the Service Agreements and shall at all times, to the extent  
1114 permitted by law, defend, enforce, preserve and protect the rights and privileges of the  
1115 county and of the holders of the Parity Bonds and Parity Lien Obligations under or with  
1116 respect thereto.

1117           In accordance with RCW 35.58.200(3), the county shall require any county, city,  
1118 special district or other political subdivision to discharge to the System all sewage  
1119 collected by such entity from any portion of the Seattle metropolitan area that can drain  
1120 by gravity flow into facilities of the System that serve such areas if the county council  
1121 declares that the health, safety or welfare of the people within the metropolitan area  
1122 require such action.

1123           G.     Legal Authority. The county has full legal right, power and authority to  
1124 adopt this ordinance, to sell, issue and deliver Bonds as provided herein, and to carry out  
1125 and consummate all other transactions contemplated by this ordinance.

1126           H.     Due Authorization. By all necessary official action prior to or  
1127 concurrently herewith, the county has duly authorized and approved the execution and  
1128 delivery of, and the performance by the county of its obligations contained in, the Bonds

1129 and in this ordinance and the consummation by it of all other transactions necessary to  
1130 effectuate this ordinance in connection with the issuance of Bonds, and such  
1131 authorizations and approvals are in full force and effect and have not been amended,  
1132 modified or supplemented in any material respect.

1133 I. Binding Obligation. This ordinance constitutes a legal, valid and binding  
1134 obligation of the county.

1135 J. No Conflict. The adoption of this ordinance, and compliance on the  
1136 county's part with the provisions contained herein, will not conflict with or constitute a  
1137 breach of or default under any constitutional provisions, law, administrative regulation,  
1138 judgment, decree, loan agreement, indenture, bond, note, resolution, ordinance, motion,  
1139 agreement or other instrument to which the county is a party or to which the county or  
1140 any of its property or assets are otherwise subject, nor will any such adoption, execution,  
1141 delivery, sale, issuance or compliance result in the creation or imposition of any lien,  
1142 charge or other security interest or encumbrance of any nature whatsoever upon any of  
1143 the property or assets of the county or under the terms of any such law, regulation or  
1144 instrument, except as may be provided by the Bonds issued as Parity Lien Obligations  
1145 and this ordinance.

1146 K. Performance Under Ordinance. None of the proceeds of the Bonds will be  
1147 used for any purpose other than as provided in this ordinance, and the county shall not  
1148 suffer any amendment or supplement to this ordinance, or any departure from the due  
1149 performance of the obligations of the county hereunder, that might materially adversely  
1150 affect the rights of the owners from time to time of the Bonds.

1151           L.       Sale or Disposition. The county will not sell or voluntarily dispose of all  
1152 of the operating properties of the System unless provision is made for payment into the  
1153 Parity Bond Fund and the Parity Lien Obligation Bonds Fund of a sum sufficient to pay  
1154 the principal of and interest on all outstanding Parity Bonds and Parity Lien Obligations  
1155 in accordance with the terms thereof, nor will the county sell or voluntarily dispose of  
1156 any part of the operating properties of the System unless provision is made (i) for  
1157 payment into the Parity Bond Fund of an amount that will bear at least the same  
1158 proportion to the amount of the outstanding Parity Bonds that the estimated amount of  
1159 any resulting reduction in the Revenue of the System for the twelve months following  
1160 such sale or disposition bears to the Revenue of the System that would have been realized  
1161 if such sale or disposition had not been made and (ii) for payment into the Parity Lien  
1162 Obligation Bond Fund of an amount that will bear at least the same proportion to the  
1163 amount of the outstanding Parity Lien Obligations that the estimated amount of any  
1164 resulting reduction in the Revenue of the System for the twelve months following such  
1165 sale or disposition bears to the Revenue of the System that would have been realized if  
1166 such sale or disposition had not been made. Such estimate shall be made by a  
1167 Professional Utility Consultant. Any money so paid into the Parity Bond Fund and the  
1168 Parity Lien Obligation Bond Fund shall be used to retire outstanding Parity Bonds and  
1169 Parity Lien Obligations as provided herein at the earliest possible date; provided,  
1170 however, that the county may sell or otherwise dispose of any of the works, plant,  
1171 properties and facilities of the System or any real or personal property comprising a part  
1172 of the System with a value of less than 5% of the net utility plant of the System or which  
1173 shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation

1174 of the System, or no longer necessary, material to or useful in such operation, without  
1175 making any deposit into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

1176 SECTION 20. Certain Other Covenants of the Parity Lien Obligations. The  
1177 county makes the following covenants and warranties to the owner of each of the Bonds  
1178 issued as Parity Lien Obligations:

1179 A. The Bonds issued as Parity Lien Obligations, when issued, sold,  
1180 authenticated and delivered, will constitute the legal, valid and binding general  
1181 obligations of the county.

1182 B. The county finds and covenants that the Bonds issued as Parity Lien  
1183 Obligations are issued within all statutory and constitutional debt limitations applicable to  
1184 the county.

1185 SECTION 21. Tax Covenants.

1186 A. General. The county may elect to structure any series of Bonds so that  
1187 interest on such series of Bonds would be excludable from gross income for federal  
1188 income tax purposes pursuant to sections 103 and 141 through 150 of the Code and the  
1189 applicable regulations (the "Tax-Exempt Bonds") or to confer other benefits under the  
1190 Code to the county or owners of such series of Bonds ("Tax-Benefited Bonds"). The  
1191 county covenants not to take any action, or knowingly omit to take any action within its  
1192 control, that if taken or omitted would cause the interest on Tax-Exempt Bonds to be  
1193 includable in gross income, as defined in section 61 of the Code, for federal income tax  
1194 purposes. Additional tax covenants as necessary or desirable for any series of Bonds may  
1195 be set forth in the Sale Motion for such series of Bonds.

1196           B.     Tax Certificate. Upon the issuance of any series of Tax-Exempt Bonds or  
1197 Tax-Benefited Bonds, the Finance Director is authorized to execute a federal tax  
1198 certificate (the "Tax Certificate"), which will certify to various facts and representations  
1199 concerning such series of Bonds, based on the facts and estimates known or reasonably  
1200 expected on the date of their issuance, and make certain covenants with respect to such  
1201 series of Bonds as may be necessary or desirable to obtain or maintain the benefits  
1202 conferred under the Code relating to such series of Tax-Exempt Bonds or Tax-Benefited  
1203 Bonds.

1204           The county covenants that it will comply with the Tax Certificate unless it  
1205 receives advice from nationally recognized bond counsel or the Internal Revenue Service  
1206 that certain provisions have been amended or no longer apply to the Tax-Exempt Bonds  
1207 or Tax-Benefited Bonds, as applicable.

1208           C.     Arbitrage Rebate. If the county does not qualify for an exception to the  
1209 requirements of Section 148(f) of the Code relating to the payment of arbitrage rebate to  
1210 the United States with respect to a series of Bonds, the county will take all necessary  
1211 steps to comply with the requirement that certain amounts earned by the county on the  
1212 investment of the "gross proceeds" of such series of Bonds (within the meaning of the  
1213 Code) be rebated.

1214           SECTION 22. Trustee for Parity Bondowners.

1215           A.     Appointment of Trustee. Upon the occurrence of any "event of default"  
1216 described in Section 23.A of this ordinance, the owners of a majority in principal amount  
1217 of the outstanding Parity Bonds may appoint a Trustee by an instrument or concurrent  
1218 instruments in writing signed and acknowledged by such Parity Bondowners or by their

1219 attorneys-in-fact duly authorized and delivered to such Trustee, notification thereof being  
1220 given to the county. Any appointment of a Trustee under the provisions of this  
1221 subsection must be a bank or trust company organized under the laws of the State of  
1222 Washington or the State of New York or a national banking association. The fees and  
1223 expenses of a Trustee must be borne by the Parity Bondowners and not by the county.  
1224 The bank or trust company acting as a Trustee may be removed at any time and a  
1225 successor Trustee may be appointed by the owners of a majority in principal amount of  
1226 the outstanding Parity Bonds, by an instrument or concurrent instruments in writing  
1227 signed and acknowledged by such Parity Bondowners or by their attorneys-in-fact duly  
1228 authorized.

1229         The Trustee appointed in the manner herein provided, and each successor thereto,  
1230 is hereby declared to be a trustee for the owners of all the Parity Bonds and is empowered  
1231 to exercise all the rights and powers herein conferred on the Trustee.

1232         B.         Certain Rights and Obligations of Trustee. The Trustee will not be  
1233 responsible for recitals in any ordinance or in the Parity Bonds, or for the validity of said  
1234 bonds, nor will the Trustee be responsible for insuring the System or for collecting any  
1235 insurance money or for the title to any of the property of the System.

1236         The Trustee will be protected in acting upon any notice, request, consent,  
1237 certificate, order, affidavit, letter, telegram or other paper or document believed by it to  
1238 be genuine and correct and to have been signed, sent or delivered by the person or  
1239 persons by whom such paper or document is purported to have been signed, sent or  
1240 delivered.



1241           The Trustee will not be answerable for any neglect or default of any person, firm  
1242 or corporation employed and selected by it with reasonable care.

1243           The Trustee will permit the owner or holder of any Parity Bonds to inspect any  
1244 instrument, opinion or certificate filed with the Trustee by the county or by any person,  
1245 firm or corporation acting for the county.

1246           The Trustee will not be bound to recognize any person as an owner or holder of  
1247 any Parity Bond until his, her or its title thereto, if disputed, has been established to the  
1248 Trustee's reasonable satisfaction.

1249           The Trustee may consult with counsel, and the opinion of such counsel will be  
1250 full and complete authorization and protection in respect of any action taken or suffered  
1251 by it hereunder in good faith and in accordance with the opinion of such counsel.

1252           **SECTION 23. Events of Default for Parity Bonds; Powers and Duties of**  
1253 **Parity Bondowners Trustee.**

1254           A.     Events of Default. The occurrence of one or more of the following is an  
1255 "event of default" with respect to any Bonds issued as Parity Bonds under this ordinance:

1256                   (i)     default in the payment of principal of or interest on any Parity  
1257 Bonds when the same becomes due; or

1258                   (ii)    default in the observance or performance of any of the other  
1259 covenants applicable to Parity Bonds herein contained, and such default continues for a  
1260 period of six months after written notice to the county from a Parity bondholder  
1261 specifying such default and requiring the same to be remedied.

1262           B.     Powers of Trustee. The Trustee in its own name and on behalf of and for  
1263 the benefit and protection of the holders and owners of all Parity Bonds may proceed, and

1264 upon the written request of the holders and owners of not less than 25% in principal  
1265 amount of the Parity Bonds then outstanding must proceed, to protect and enforce any  
1266 rights of the Trustee and, to the full extent that owners or holders of Parity Bonds  
1267 themselves might do, the rights of such owners and holders of Parity Bonds under the  
1268 laws of the State of Washington or under the ordinances providing for the issuance of  
1269 such bonds, by such suits, actions or proceedings in equity or at law, either for the  
1270 specific performance of any covenant contained herein or in aid or execution of any  
1271 power herein granted or for any proper legal or equitable remedy as the Trustee may  
1272 deem most effectual to protect and enforce the rights of the Trustee and the holders and  
1273 owners of Parity Bonds. In the enforcement of any such rights under this or any other  
1274 ordinance of the county, the Trustee is entitled to sue for, to enforce payment of and to  
1275 receive any and all amounts due from the county for principal, interest or otherwise under  
1276 any of the provisions of such ordinance, with interest on overdue payments at the rate or  
1277 rates set forth in such bond or bonds, together with any and all costs and expenses of  
1278 collection and of all proceedings taken by the Trustee without prejudice to any other right  
1279 or remedy of the Trustee or of the bondholders.

1280         If default is made in the payment of principal of any Parity Bond and such default  
1281 continues for a period of 30 days, (i) so long as any of the 2001 Bonds, 2002A Bonds,  
1282 2002B Bonds, 2003A Bonds, 2004A Bonds and 2004B Bonds remain outstanding, the  
1283 Trustee shall be entitled to declare all outstanding Parity Bonds immediately due and  
1284 payable and may proceed to enforce payment thereof as hereinabove provided, and (ii)  
1285 after such time as no 2001 Bonds, 2002A Bonds, 2002B Bonds, 2003A Bonds, 2004A  
1286 Bonds and 2004B Bonds remain outstanding, the Trustee may not accelerate payment of

1287 any Parity Bonds but may proceed to enforce payment thereof as hereinabove provided.  
1288 If, in the sole judgment of the Trustee, any default is cured and the Trustee furnishes the  
1289 county a certificate so stating, such default is conclusively deemed to be cured, and the  
1290 county, Trustee and owners and holders of Parity Bonds will be restored to the same  
1291 rights and position they would have held if no event of default had occurred.

1292 C. Actions in Name of Trustee. All rights of action under this ordinance or  
1293 upon any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee  
1294 without the possession of any of such bonds or the production thereof on the trial or other  
1295 proceedings relative thereto, and any such suit, action or proceeding instituted by the  
1296 Trustee will be brought in its name for the ratable benefit of the holders of said bonds,  
1297 subject to the provisions of this ordinance.

1298 D. Procedure by Bond Owners. No owner of any one or more of the Parity  
1299 Bonds has any right to institute any action, suit or proceedings at law or in equity for the  
1300 enforcement of the same, unless an event of default occurs and unless no Trustee is  
1301 appointed as herein provided, but any remedy herein authorized to be exercised by a  
1302 Trustee may be exercised individually by any Parity Bondowner, in his own name and on  
1303 his own behalf or for the benefit of all Parity Bondowners, if no Trustee is appointed, or  
1304 with the consent of the Trustee if such Trustee has been appointed.

1305 E. Application of Money Collected by Trustee. Any money collected by the  
1306 Trustee at any time pursuant to this section will be applied, first, to the payment of its  
1307 charges, expenses, advances and compensation and the charges, expenses, counsel fees,  
1308 disbursements and compensation of its agents and attorneys, and, second, toward  
1309 payment of the amount then due and unpaid upon the Parity Bonds, ratably and without

1310 preference or priority of any kind not expressly provided in this ordinance, according to  
1311 the amounts due and payable upon such bonds at the date fixed by the Trustee for the  
1312 distribution of such money, upon presentation of the several bonds and upon causing such  
1313 payment to be stamped thereon, if partly paid, and upon surrender thereof, if fully paid.

1314           SECTION 24. Future Parity Bonds. The county further covenants and agrees  
1315 with the owners and holders of the Parity Bonds for as long as the same are outstanding  
1316 that it will not create any special fund for the payment of the principal of and interest on  
1317 any revenue bonds that will rank on a parity with or have any priority over the payments  
1318 out of the Revenue of the System required to be made into the Parity Bond Fund and the  
1319 accounts therein to pay or secure the payment of the outstanding Parity Bonds, except  
1320 that it reserves the right for:

1321           (1)     the purpose of acquiring, constructing and installing any portion of  
1322 the Comprehensive Plan, or

1323           (2)     the purpose of acquiring, constructing and installing any necessary  
1324 renewals or replacements of the System, or

1325           (3)     the purpose of refunding or purchasing and retiring at or prior to  
1326 their maturity any outstanding obligations of the county payable from Revenue of the  
1327 System,

1328 to issue additional or refunding bonds and to make payments into the Parity Bond Fund  
1329 out of the Revenue Fund that will be sufficient to pay the principal of and interest on said  
1330 additional or refunding bonds and to maintain required reserves, which such payments  
1331 out of the Revenue Fund may rank equally with the payments out of the Revenue Fund  
1332 required to be made into the Parity Bond Fund and the accounts therein for the payment

1333 of the principal of and interest on outstanding Parity Bonds only upon compliance with  
1334 the following conditions:

1335       A.     At the time of the issuance of any Future Parity Bonds there is no  
1336 deficiency in the Parity Bond Fund or any account therein.

1337       B.     Each ordinance providing for the issuance of any Future Parity Bonds that  
1338 are refunding bonds must require that all money held in any fund or account of the county  
1339 created for the purpose of paying the principal of and interest on the bonds being  
1340 refunded either be used to pay the principal of and interest on such bonds or be  
1341 transferred or paid into the Parity Bond Fund.

1342       C.     Each ordinance providing for the issuance of Future Parity Bonds must  
1343 provide for the payment of the principal thereof and interest thereon out of the Parity  
1344 Bond Fund. The Future Parity Bonds may bear such date of issue, interest payment  
1345 dates, and principal payment dates, and may mature in such year or years as the county  
1346 council provides. Each such ordinance will further provide that upon the issuance of  
1347 such Future Parity Bonds, the county will pay into the Parity Bond Reserve Account an  
1348 amount that will be sufficient to satisfy the Reserve Requirement then applicable or  
1349 provide Qualified Insurance or a Qualified Letter of Credit to satisfy such Reserve  
1350 Requirement.

1351       D.     (1)    At the time of the issuance of any Future Parity Bonds, the county  
1352 must have on file a certificate from a Professional Utility Consultant (the certificate may  
1353 not be dated more than 90 days prior to the date of delivery of such Future Parity Bonds),  
1354 showing that in his or her professional opinion the "annual income available for debt  
1355 service on Parity Bonds" for each year during the life of such Future Parity Bonds shall

1356 be at least equal to 1.25 times the amount required in each such year to pay the Annual  
1357 Parity Debt Service for such year.

1358 (2) Such "annual income available for debt service on Parity Bonds"  
1359 will be determined as follows for each year following the proposed date of issue of such  
1360 Future Parity Bonds:

1361 (i) The Revenue of the System will be determined for a period  
1362 of any 12 consecutive months out of the 18 months immediately preceding the delivery of  
1363 the Future Parity Bonds being issued.

1364 (ii) Such revenue may be adjusted to give effect on a 12-month  
1365 basis to the rates in effect on the date of such certificate.

1366 (iii) If there were any Customers added to the System during  
1367 such 12-month period or thereafter and prior to the date of the Professional Utility  
1368 Consultant's certificate, such revenue may be further adjusted on the basis that added  
1369 Customers were Customers of the System during the entire 12-month period.

1370 (iv) There will be deducted from such revenue the amount  
1371 expended for Operating and Maintenance Expenses during such period.

1372 (v) For each year following the proposed date of issuance of  
1373 such Future Parity Bonds the Professional Utility Consultant may add to the annual  
1374 revenue determined in the preceding four paragraphs an estimate of the income to be  
1375 received in each such year from the investment of money in the Parity Bond Fund and  
1376 any account therein, and the Construction Account, which will be determined by and in  
1377 the sole discretion of a firm of nationally recognized financial consultants selected by the  
1378 county.

1379                               (vi)   Beginning with the second year following the proposed  
1380   date of issue of such Future Parity Bonds and for each year thereafter, the Professional  
1381   Utility Consultant may add to the annual revenue determined in the preceding five  
1382   paragraphs his or her estimate of any additional annual revenue to be received from  
1383   anticipated growth in the number of Customers within the area served by the System on  
1384   the date of such certificate, after deducting therefrom any increased Operating and  
1385   Maintenance Expenses estimated to be incurred as a result of such growth; provided that  
1386   the Professional Utility Consultant's estimate of the number of Customers served may not  
1387   assume growth of more than 1/4 of 1% over and above the number of Customers served  
1388   or estimated to be served during the preceding year.

1389                               (vii)   If extensions of or additions to the System are in the  
1390   process of construction at the time of such certificate, or if the proceeds of the Future  
1391   Parity Bonds being issued are to be used to acquire or construct extensions of or additions  
1392   to the System, there may be added to the annual net revenue as above determined any  
1393   revenue not included in the preceding paragraphs that will be derived from such additions  
1394   and extensions after deducting therefrom the estimated additional Operating and  
1395   Maintenance Expenses to be incurred as a result of such additions and extensions;  
1396   provided that such estimated annual revenue will be based upon 75% of any estimated  
1397   Customer growth in the four years following the first full year in which such additional  
1398   revenue is to be collected and thereafter the estimated Customer growth may not exceed  
1399   1/4 of 1% per year over and above such reduced estimate.

1400               E.       Instead of the certificate described in subsection D above, the county may  
1401   elect instead to have on file a certificate of the Finance Director demonstrating that

1402 during any 12 consecutive calendar months out of the immediately preceding 18 calendar  
1403 months Net Revenue was at least equal to 1.25 times the amount required to pay, in each  
1404 year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service  
1405 for such year.

1406 F. For the purpose of refunding at or prior to their maturity any outstanding  
1407 Parity Bonds or any bonds or other obligations of the county payable from Revenue of  
1408 the System, the county may at any time issue Future Parity Bonds without complying  
1409 with the provisions of subsection D or E hereof; provided, however, that the county may  
1410 not issue Future Parity Bonds for such purpose under this subsection F unless the Finance  
1411 Director certifies that upon the issuance of such Future Parity Bonds that (i) total debt  
1412 service required for all Parity Bonds (including the refunding bonds but not including the  
1413 bonds to be refunded thereby) will decrease, and (ii) the Annual Parity Debt Service for  
1414 each year that any Parity Bonds (including the refunding bonds proposed to be issued) are  
1415 then outstanding will not be increased by more than \$5,000 by reason of the issuance of  
1416 such Future Parity Bonds.

1417 The principal amount of Future Parity Bonds issued pursuant to this subsection F  
1418 may include amounts necessary to pay the principal of the Parity Bonds or other  
1419 obligations to be refunded, interest thereon to the date of payment or redemption thereof,  
1420 any premium payable thereon upon such payment or redemption and the costs of issuance  
1421 of such Future Parity Bonds, and if a Payment Agreement has been provided with respect  
1422 to the obligations to be refunded, may include amounts necessary to make the payment of  
1423 all amounts, if any, due and payable by the county under such Payment Agreement. The  
1424 proceeds of such Future Parity Bonds will be held and applied in such manner as is



1425 provided for in the ordinance authorizing the issuance of the Parity Bonds or other  
1426 obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the  
1427 Parity Bonds or other obligations to be refunded thereby will be deemed no longer  
1428 outstanding in accordance with the ordinance authorizing their issuance.

1429         G.       Nothing contained in this ordinance prevents the county from issuing  
1430 revenue bonds that are a charge upon the Revenue of the System and money in the  
1431 Revenue Fund junior or inferior to the payments required to be made therefrom into the  
1432 Bond Fund and any account therein, nor shall anything herein contained prevent the  
1433 county from issuing Future Parity Bonds to refund maturing Parity Bonds for the  
1434 payment of which money is not otherwise available.

1435         SECTION 25. Additional Parity Lien Obligations. The county expressly  
1436 reserves the right to issue additional Parity Bonds in accordance with the ordinances,  
1437 including this ordinance, authorizing the Parity Bonds. Subject to this reservation of  
1438 rights with respect to Parity Bonds, the county hereby covenants and agrees with the  
1439 owners of any Bonds issued as Parity Lien Obligations, so long as such Bonds are  
1440 outstanding, that it will not issue or incur any other additional indebtedness secured in  
1441 whole or in part by a lien on Revenue of the System superior to the Lien of such Bonds  
1442 issued as Parity Lien Obligations.

1443         A.       Parity Lien Obligation Other Than Refunding Bonds. The county  
1444 expressly reserves the right to issue or enter into additional Parity Lien Obligations  
1445 (including Variable Rate Parity Lien Obligations as defined herein) for any lawful  
1446 purpose of the county related to the System if at the time of issuing or entering into such  
1447 Parity Lien Obligations:

1448 (i) There is no deficiency in the Parity Bond Fund, the Parity Lien  
1449 Obligation Bond Fund or any other bond fund or account securing Parity Lien  
1450 Obligations.

1451 (ii) The county must have on file a certificate from a Professional  
1452 Utility Consultant (the certificate may not be dated more than 90 days prior to the date of  
1453 delivery of such Parity Lien Obligations) showing that in his or her professional opinion,  
1454 the "annual income available for debt service on Parity Bonds and Parity Lien  
1455 Obligations" for each year during the life of such Parity Lien Obligations is at least equal  
1456 to 1.25 times the amount required to pay Annual Debt Service in each such year.

1457 (iii) Such "annual income available for debt service on Parity Bonds  
1458 and Parity Lien Obligations" shall be determined as follows for each year following the  
1459 proposed date of issue of such Parity Lien Obligations:

1460 1. The Revenue of the System will be determined for a period  
1461 of any 12 consecutive months out of the 18 months immediately preceding the delivery of  
1462 the Parity Lien Obligations being issued.

1463 2. Such revenue may be adjusted to give effect on a 12-month  
1464 basis to the rates in effect on the date of such certificate.

1465 3. If there were any Customers added to the System during  
1466 such 12-month period or thereafter and prior to the date of the Professional Utility  
1467 Consultant's certificate, such revenue may be further adjusted on the basis that added  
1468 Customers were Customers of the System during the entire 12-month period.

1469 4. There will be deducted from such revenue the amount  
1470 expended for Operating and Maintenance Expenses during such period.

1471                           5.       For each year following the proposed date of issuance of  
1472 such Parity Lien Obligations the Professional Utility Consultant may add to the annual  
1473 revenue determined in the preceding four paragraphs an estimate of the income to be  
1474 received in each such year from the investment of money in the Parity Bond Fund, the  
1475 Parity Lien Obligation Bond Fund and the Construction Account, which will be  
1476 determined by and in the sole discretion of a firm of nationally recognized financial  
1477 consultants selected by the county.

1478                           6.       Beginning with the second year following the proposed  
1479 date of issue of such Parity Lien Obligations and for each year thereafter the Professional  
1480 Utility Consultant may add to the annual revenue determined in the preceding five  
1481 paragraphs his or her estimate of any additional annual revenue to be received from  
1482 anticipated growth in the number of Customers within the area served by the System on  
1483 the date of such certificate, after deducting therefrom any increased Operating and  
1484 Maintenance Expenses estimated to be incurred as a result of such growth; provided that  
1485 the Professional Utility Consultant's estimate of the number of customers served may  
1486 shall not assume a growth of more than 1/4 of 1% over and above the number of  
1487 customers served or estimated to be served during the preceding year.

1488                           7.       If extensions of or additions to the System are in the  
1489 process of construction at the time of such certificate, or if the proceeds of the Parity Lien  
1490 Obligations being issued are to be used to acquire or construct extensions of or additions  
1491 to the System, there may be added to the annual net revenue as above determined any  
1492 revenue not included in the preceding paragraphs which will be derived from such  
1493 additions and extensions after deducting therefrom the estimated additional Operating

1494 and Maintenance Expenses to be incurred as a result of such additions and extensions;  
1495 provided that such estimated annual revenue must be based upon 75% of any estimated  
1496 Customer growth in the four years following the first full year in which such additional  
1497 revenue is to be collected and thereafter the estimated Customer growth may not exceed  
1498 1/4 of 1% per year over and above such reduced estimate.

1499 (iv) Instead of the certificate described in subsections (ii) and (iii)  
1500 above, the county may elect to have on file a certificate of the Finance Director  
1501 demonstrating that during any 12 consecutive calendar months out of the immediately  
1502 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount  
1503 required to pay, in each year that such Parity Lien Obligations would be outstanding, the  
1504 Annual Debt Service for such year.

1505 B. Parity Lien Obligations That Are Refunding Bonds.

1506 (i) The county may at any time for the purpose of refunding at or prior  
1507 to their maturity any outstanding Parity Lien Obligations, Parity Bonds, or any bonds or  
1508 other obligations of the county payable from Revenue of the System issue additional  
1509 Parity Lien Obligations without complying with the provisions of subsections (ii)-(iv) of  
1510 Section 25.A hereof if there is filed with the clerk of the county council a certificate of  
1511 the Finance Director stating that upon the issuance of such additional Parity Lien  
1512 Obligations (i) total debt service on all Parity Bonds and Parity Lien Obligations  
1513 (including the refunding bonds but not including the bonds to be refunded thereby) will  
1514 decrease, and (ii) the Annual Debt Service for each year that any Parity Bonds and any  
1515 Parity Lien Obligations (including the refunding bonds proposed to be issued) are then

1516 outstanding will not be increased by more than \$5,000 by reason of the issuance of such  
1517 additional Parity Lien Obligations.

1518           (ii)     The principal amount of such Parity Lien Obligations may include  
1519 amounts necessary to pay the principal of the bonds or other obligations to be refunded,  
1520 interest thereon to the date of payment or redemption thereof, any premium payable  
1521 thereon upon such payment or redemption and the costs of issuance of such Parity Lien  
1522 Obligations, and if a Payment Agreement has been provided with respect to the  
1523 obligations to be refunded, may include amounts necessary to make the payment of all  
1524 amounts, if any, due and payable by the county under such Payment Agreement. The  
1525 proceeds of such Parity Lien Obligations will be held and applied as is provided in the  
1526 ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the  
1527 delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded  
1528 thereby will be deemed no longer outstanding in accordance with the ordinance  
1529 authorizing their issuance.

1530           (iii)    At the election of the county, the provisions of this Section 25.B  
1531 need not apply to the refunding at one time of all the Parity Lien Obligations then  
1532 outstanding.

1533           (iv)     Nothing contained in this ordinance prohibits or prevents, or will  
1534 be deemed or construed to prohibit or prevent, the county from issuing Parity Lien  
1535 Obligations to refund maturing Parity Lien Obligations of the county for the payment of  
1536 which money is not otherwise available.

1537           C.     Subordinate Obligations. Nothing in this ordinance prohibits, or will be  
1538 deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or

1539 other evidences of indebtedness for any purpose of the county related to the System  
1540 payable in whole or in part from Revenue of the System and secured by a lien on such  
1541 Revenue that is junior, subordinate and inferior to the lien of any Bonds issued as Parity  
1542 Lien Obligations.

1543 SECTION 26. Reimbursement Obligations. If the county elects to secure any  
1544 Bonds with a Credit Facility, the county may contract with the entity providing such  
1545 Credit Facility that the reimbursement obligation, if any, to such entity will be a Parity  
1546 Bond or Parity Lien Obligation, as applicable.

1547 SECTION 27. Payment Agreements.

1548 A. General. To the extent and for the purposes permitted from time to time  
1549 by Chapter 39.96 RCW, as it may be amended, and other applicable provisions of State  
1550 law, the county may enter into Payment Agreements, subject to the conditions set forth in  
1551 this section and in other provisions of this ordinance.

1552 B. Manner and Schedule of Payments. Each Payment Agreement must set  
1553 forth the manner in which the Payment Agreement Payments and the Payment  
1554 Agreement Receipts will be calculated and a schedule of payment dates.

1555 C. Authorizing Ordinance. Prior to entering into a Payment Agreement, the  
1556 county council must pass an ordinance authorizing such agreement and setting forth such  
1557 provisions as the county deems necessary or desirable and are not inconsistent with the  
1558 provisions of this ordinance.

1559 D. Calculation of Payment Agreement Payments and Debt Service on Bonds  
1560 with Respect to which a Payment Agreement is in Force. It is the intent of the county, for  
1561 purposes of Sections 18, 24 or 25 of this ordinance, that debt service on Parity Bonds

1562 with respect to which a Parity Payment Agreement is in force will be calculated to reflect  
1563 the net economic effect on the county intended to be produced by the terms of such Parity  
1564 Bonds and Parity Payment Agreement and that debt service on Parity Lien Obligation  
1565 Bonds with respect to which a Parity Lien Obligation Payment Agreement is in force will  
1566 be calculated to reflect the net economic effect on the county intended to be produced by  
1567 the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation Payment  
1568 Agreement. In calculating such amounts, the county will be guided by the following  
1569 requirements.

1570 (i) The amount of interest deemed to be payable on any Bonds with  
1571 respect to which a Payment Agreement is in force will be an amount equal to the amount  
1572 of interest that would be payable at the rate or rates stated in those Bonds plus Payment  
1573 Agreement Payments minus Payment Agreement Receipts.

1574 (ii) For any period during which Payment Agreement Payments are  
1575 not taken into account in calculating interest on any outstanding Bonds because the  
1576 Payment Agreement is not then related to any outstanding Bonds, Payment Agreement  
1577 Payments on that Parity Payment Agreement will be calculated based upon the following  
1578 assumptions:

1579 (a) County Obligated to Make Payments Based on Fixed Rate.

1580 If the county is obligated to make Payment Agreement Payments based on a fixed rate  
1581 and the Qualified Counterparty is obligated to make payments based on a variable rate  
1582 index, payments by the county will be based on the assumed fixed payor rate, and  
1583 payments by the Qualified Counterparty will be based on a rate equal to the average rate

1584 determined by the variable rate index specified by the Payment Agreement during the  
1585 fiscal quarter preceding the quarter in which the calculation is made; and

1586 (b) County Obligated to Make Payments Based on Variable  
1587 Rate Index. If the county is obligated to make Payment Agreement Payments based on a  
1588 variable rate index and the Qualified Counterparty is obligated to make payments based  
1589 on a fixed rate, payments by the county will be based on a rate equal to the average rate  
1590 determined by the variable rate index specified by the Payment Agreement during the  
1591 fiscal quarter preceding the quarter in which the calculation is made, and the Qualified  
1592 Counterparty will make payments based on the fixed rate specified by the Payment  
1593 Agreement.

1594 E. Prior Notice to Rating Agencies. The county will give notice to Moody's  
1595 and S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement  
1596 and will give notice to Fitch, Moody's and S&P 30 days prior to the date it intends to  
1597 enter into a Parity Lien Obligation Payment Agreement.

1598 **SECTION 28. Sale of Bonds.**

1599 A. Determination by Finance Director. The Finance Director will determine,  
1600 in consultation with the county's financial advisors, the principal amount of each series of  
1601 the Project Bonds, which of the Refunding Candidates will be refunded, whether Project  
1602 Bonds and Refunding Bonds will be sold separately or in one or more combined series,  
1603 whether each series of Bonds will be structured as Tax-Exempt Bonds, Tax-Benefited  
1604 Bonds or otherwise, and whether each series of Bonds will be sold by negotiated sale or  
1605 competitive bid and by current or future delivery. The authority to sell any of the Bonds  
1606 authorized hereunder will terminate two years from the effective date of this ordinance.



1607           B.     Procedure for Negotiated Sale. If the Finance Director determines that  
1608 any series of the Bonds will be sold by negotiated sale, the Finance Director will, in  
1609 accordance with applicable county procurement procedures, solicit one or more  
1610 underwriting firms with which to negotiate the sale of the Bonds. The purchase contract  
1611 for any series of Bonds will establish the date, principal amount, interest rates, maturity  
1612 schedule, redemption and bond insurance provisions, and delivery date of the Bonds.  
1613 The county council by a Sale Motion will approve the bond purchase contract and ratify  
1614 and confirm the terms for the series of Bonds established therein.

1615           C.     Procedure for Sale by Competitive Bid. If the Finance Director  
1616 determines that any series of the Bonds will be sold by competitive bid, bids for the  
1617 purchase of such Bonds will be received at such time or place and by such means as the  
1618 Finance Director directs. The Finance Director is authorized to prepare a notice of sale  
1619 for such Bonds, establishing in such notice the date, principal amount, interest payment  
1620 dates, maturity schedule, and redemption and bond insurance provisions for such Bonds.  
1621 The official notice of sale or an abridged form thereof may be published in such  
1622 newspapers or financial journals as the county's financial advisors deem desirable or  
1623 appropriate.

1624           Upon the date and time established for the receipt of bids for any series of the  
1625 Bonds, the Finance Director or his designee will review the bids, cause the bids to be  
1626 mathematically verified and report to the county council regarding the bids received.  
1627 Such bids will then be considered and acted upon by the county council in an open public  
1628 meeting. The county council reserves the right to reject any and all bids for such Bonds.  
1629 The county council by a Sale Motion will approve the sale of such Bonds and ratify and

1630 confirm the date, interest rates, maturity schedule, redemption and bond insurance  
1631 provisions, and any other terms of such Bonds.

1632         SECTION 29. Delivery of Bonds. Following the sale of any series of the Bonds,  
1633 the county will cause definitive Bonds of such series to be prepared, executed and  
1634 delivered, which Bonds will be typewritten, lithographed or printed with engraved or  
1635 lithographed borders, or in such other form acceptable to DTC as initial depository for  
1636 the Bonds.

1637         If definitive Bonds are not ready for delivery by the date established for a  
1638 Closing, then the Finance Director, upon the approval of the purchasers, may cause to be  
1639 issued and delivered to the purchasers one or more temporary Bonds with appropriate  
1640 omissions, changes and additions. Any temporary Bond or Bonds will be entitled and  
1641 subject to the same benefits and provisions of this ordinance with respect to the payment,  
1642 security and obligation thereof as definitive Bonds authorized thereby. Such temporary  
1643 Bond or Bonds will be exchangeable without cost to the owners thereof for definitive  
1644 Bonds when the latter are ready for delivery.

1645         SECTION 30. Preliminary Official Statement; Official Statement. The county  
1646 hereby authorizes and directs the Finance Director: (i) to review and approve the  
1647 information contained in the preliminary official statement (the "Preliminary Official  
1648 Statement") prepared in connection with the sale of any series of the Bonds; and (ii) for  
1649 the sole purpose of the Bond purchasers' compliance with Section (b)(1) of the Rule, to  
1650 "deem final" that Preliminary Official Statement as of its date, except for the omission of  
1651 information on offering prices, interest rates, selling compensation, delivery dates, bond  
1652 insurance, any other terms or provisions required by the county to be specified in a

1653 competitive bid or bond purchase contract, ratings, the identity of the Bond purchasers,  
1654 and other terms of such series of Bonds dependent on such matters. After a Preliminary  
1655 Official Statement has been reviewed and approved in accordance with the provisions of  
1656 this section, the county hereby authorizes distribution of the Preliminary Official  
1657 Statement to prospective purchasers of such series of Bonds.

1658           Following the sale of any series of the Bonds in accordance with Section 28 of  
1659 this ordinance, the Finance Director is hereby authorized to review and approve on behalf  
1660 of the county a final official statement with respect to such Bonds. The county agrees to  
1661 cooperate with the purchaser of such Bonds to deliver or cause to be delivered, within  
1662 seven business days from the date of the Sale Motion and in sufficient time to accompany  
1663 any confirmation that requests payment from any customer of the purchaser, copies of the  
1664 final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule  
1665 and the rules of the Municipal Securities Rulemaking Board ("MSRB").

1666           **SECTION 31. Undertaking to Provide Ongoing Disclosure.** In each Sale  
1667 Motion, the county council will set forth an undertaking for ongoing disclosure with  
1668 respect to each series of the Bonds, as required by Section (b)(5) of the Rule.

1669           **SECTION 32. General Authorization.** The appropriate county officials, agents  
1670 and representatives are hereby authorized and directed to do everything necessary for the  
1671 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and  
1672 application of the proceeds of the sale thereof.

1673           **SECTION 33. Investment of Funds and Accounts.** Money in the Parity Bond  
1674 Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund  
1675 and Construction Account may be invested in any investments permitted for funds of the

1676 county. Obligations purchased as an investment of money in the Revenue Fund, Parity  
1677 Bond Fund, Parity Lien Obligation Bond Fund, and Construction Account and accounts  
1678 or subaccounts therein will be deemed at all times to be a part of such respective fund,  
1679 account or subaccount, and the income or interest earned, profits realized or losses  
1680 suffered by a fund, account or subaccount due to the investment thereof will be retained  
1681 in, credited or charged, as the case may be, to such fund or account.

1682           In computing the amount in any fund or account under the provisions of this  
1683 ordinance, obligations purchased as an investment of money therein will be valued at the  
1684 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1685           SECTION 34. Defeasance. In the event that money or noncallable Government  
1686 Obligations maturing at such time or times and bearing interest to be earned thereon in  
1687 amounts (together with such money, if necessary) sufficient to redeem and retire, refund  
1688 or defease part or all of the Bonds in accordance with their terms, are set aside in a  
1689 special account of the county to effect such redemption and retirement, and such money  
1690 and the principal of and interest on such Government Obligations are irrevocably set  
1691 aside and pledged for such purpose, then no further payments need be made into the  
1692 applicable bond fund for the payment of the principal of and interest on the Bonds so  
1693 provided for, and such Bonds will cease to be entitled to any lien, benefit or security of  
1694 this ordinance except the right to receive the money so set aside and pledged, and such  
1695 Bonds will be deemed not to be outstanding hereunder.

1696           Within 30 days of the defeasance of any of the Bonds, the Bond Registrar will  
1697 provide notice of defeasance of such Bonds to the Registered Owners of the Bonds and to

1698 the MSRB in accordance with the ongoing disclosure provisions to be adopted by the  
1699 Sale Motion.

1700 **SECTION 35. Supplemental Ordinances.**

1701 A. Without Bondowner Consent. The county council from time to time and  
1702 at any time may adopt an ordinance or ordinances supplemental to this ordinance which  
1703 supplemental ordinance or ordinances thereafter will become a part of this ordinance, for  
1704 any one or more of the following purposes:

1705 (1) To add to the covenants and agreements of the county in this  
1706 ordinance such other covenants and agreements thereafter to be observed that will not  
1707 adversely affect the interests of the holders and owners of any Parity Bonds or Parity  
1708 Lien Obligations, as applicable, or to surrender any right or power herein reserved to or  
1709 conferred upon the county.

1710 (2) To make such provisions for the purpose of curing any ambiguities  
1711 or of curing, correcting or supplementing any defective provision contained in this  
1712 ordinance or any ordinance authorizing Parity Bonds or Parity Lien Obligations in regard  
1713 to matters or questions arising under such ordinances as the county council may deem  
1714 necessary or desirable and not inconsistent with such ordinances and that will not  
1715 adversely affect the interest of the holders and owners of Parity Bonds or Parity Lien  
1716 Obligations, as applicable.

1717 B. With Bondowner Consent.

1718 (1) From and after such time as no 2001 Bonds, 2002A Bonds, 2002B  
1719 Bonds, 2003A Bonds, 2004A Bonds, 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds,  
1720 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, with the consent of the

1721 owners of not less than 51% in aggregate principal amount of all Parity Bonds at the time  
1722 outstanding, the Council may adopt an ordinance or ordinances supplemental hereto for  
1723 the purpose of adding any provisions to or changing in any manner or eliminating any of  
1724 the provisions of this ordinance or of any supplemental ordinance applicable to Parity  
1725 Bonds, except as described in subsection (3) below.

1726                   (2)     From and after such time as no Series 2005 Bonds, Series 2008  
1727 Bonds or Series 2009 Bonds, with the consent of the owners of not less than 51% in  
1728 aggregate principal amount of all Parity Lien Obligations at the time outstanding, the  
1729 Council may adopt an ordinance or ordinances supplemental hereto for the purpose of  
1730 adding any provisions to or changing in any manner or eliminating any of the provisions  
1731 of this ordinance or of any supplemental ordinance applicable to Parity Lien Obligations,  
1732 except as described in subsection (3) below.

1733                   (3)     No supplemental ordinance entered into pursuant to this subsection  
1734 B may:

1735                           (i)     Extend the fixed maturity of any Parity Bonds or Parity  
1736 Lien Obligations, or reduce the rate of interest thereon, or extend the time of payments of  
1737 interest from their due date, or reduce the amount of the principal thereof, or reduce any  
1738 premium payable on the redemption thereof, without the consent of the owner of each  
1739 bond so affected; or

1740                           (ii)    Reduce the aforesaid percentage of owners of Parity Bonds  
1741 or Parity Lien Obligations required to approve any such supplemental ordinance, without  
1742 the consent of the owners of all of such bonds.

1743                   (4)     It is not necessary for the consent of Bond owners under this  
1744 subsection B to approve the particular form of any proposed supplemental ordinance, but  
1745 it is sufficient if such consent approves the substance thereof.

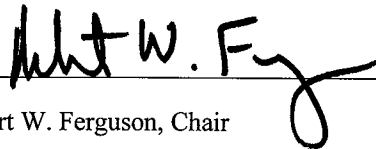
1746                   SECTION 36. Ordinance a Contract; Severability. The covenants contained in  
1747 this ordinance constitute a contract between the county and (i) the owners of each and  
1748 every Bond, (ii) the Qualified Counterparty to any Payment Agreement entered into with  
1749 respect to any Bonds, and (iii) the provider of any Credit Facility, Qualified Insurance or  
1750 Qualified Letter of Credit with respect to any Bonds. If any court of competent  
1751 jurisdiction determines that any covenant or agreement provided in this ordinance to be  
1752 performed on the part of the county is contrary to law, then such covenant or agreement  
1753 shall be null and void and shall be deemed separable from the remaining covenants and  
1754 agreements of this ordinance and shall in no way affect the validity of the other  
1755 provisions of this ordinance or of the Bonds.

1756            **SECTION 37. Effective Date.** This ordinance shall be effective 10 days after its  
1757 enactment, in accordance with Article II of the county charter.  
1758


Ordinance 16868 was introduced on 5/10/2010 and passed by the Metropolitan King  
County Council on 6/28/2010, by the following vote:

Yes: 8 - Ms. Drago, Mr. Phillips, Mr. von Reichbauer, Ms. Hague,  
Ms. Patterson, Ms. Lambert, Mr. Ferguson and Mr. Dunn  
No: 0  
Excused: 1 - Mr. Gossett

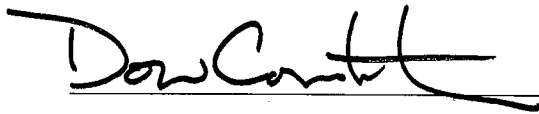
KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

  
Robert W. Ferguson, Chair

ATTEST:

  
Anne Noris, Clerk of the Council

APPROVED this 1 day of JULY, 2010.

  
Dow Constantine, County Executive

RECEIVED  
2010 JUL -1 PM 4:29  
KING COUNTY COUNCIL  
CLERK

Attachments: A. Exhibit A Form of Parity Bond



**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 will 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 will 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 will be paid by mailing a check or draft (on the date such interest is due) to the Registered Owner or nominee of such owner at the address shown on the Bond Register as of the 15th day of the month prior to the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 par value of the Bonds, interest will be paid by wire transfer 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 have the meanings given such terms in the Bond Ordinance.

The Bonds are subject to 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 "Parity 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 Parity Bond Fund out of Revenue of the System the various amounts required by the Bond Ordinance to be paid into and maintained in the Parity 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 will 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 has 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 will 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, will 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.

**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 will 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 will 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 will be paid by mailing a check or draft (on the date such interest is due) to the Registered Owner or nominee of such owner at the address shown on the Bond Register as of the 15th day of the month prior to the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 par value of the Bonds, interest will be paid by wire transfer 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 have the meanings given such terms in the Bond Ordinance.

The Bonds are subject to 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 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 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 become due.

The County has further obligated and bound itself to set aside and pay into the Parity 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 will 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 has 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 will 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, will 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:

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NOTICE: Signatures must be guaranteed pursuant to law.