



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

September 22, 2015

Ordinance 18111

Proposed No. 2015-0165.1

Sponsors McDermott

1 AN ORDINANCE providing long-term financing for
2 capital needs of the county's sewer system by authorizing
3 the issuance of sewer revenue bonds and limited tax
4 general obligation bonds (payable from sewer revenues) of
5 the county in an aggregate principal amount not to exceed
6 \$350,000,000 to provide funds for acquiring and
7 constructing improvements to the sewer system; providing
8 for the form, terms and covenants of such bonds; providing
9 for the sale of the bonds in one or more series; establishing
10 funds for the receipt and expenditure of bond proceeds and
11 for the payment of the bonds; pledging sewer revenues to
12 pay the principal of and interest on sewer revenue bonds
13 issued under this ordinance; and pledging the annual levy
14 of taxes and an additional pledge of sewer revenues to pay
15 the principal of and interest on limited tax general
16 obligation bonds (payable from sewer revenues) issued
17 under this ordinance.

18 PREAMBLE:

19 The county owns and operates facilities for the conveyance and treatment of
20 sewage and control of combined sewer overflows that include wastewater
21 treatment plants, interceptor and trunk sewers, pumping stations, regulator
22 stations, outfall sewers, storm sewers to divert stormwater from sanitary sewers,
23 lands for application of biosolids, property rights, and buildings and other
24 structures and equipment (collectively "the System"), all in accordance with a
25 comprehensive plan for metropolitan water pollution abatement under the
26 authority of chapters 36.56 and 35.58 of the Revised Code of Washington
27 ("RCW").

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

36 In accordance with RCW 35.58.200(3), the county has declared that the health,
37 safety and welfare of people within the metropolitan area require that certain
38 Participants discharge sewage collected by those Participants into facilities of the
39 System.

40 The county has issued the series of sewer revenue bonds with a senior lien on
41 Revenue of the System set forth in Attachment A to this ordinance ("the Parity
42 Bonds").

43 The county has issued the series of limited tax general obligation bonds
44 additionally secured by a lien on Revenue of the System junior and subordinate to
45 the lien thereon of the Parity Bonds set forth in Attachment B to this ordinance
46 ("the Parity Lien Obligations").

47 It is deemed necessary and desirable that the county authorize the issuance and
48 sale of its bonds payable from sewer revenues in the aggregate principal amount
49 of \$350,000,000 ("the Bonds") to pay costs of capital improvements to the
50 System, in accordance with the comprehensive plan.

51 Since market conditions can change quickly, it is in the best interest of the county
52 to delegate to the county's Finance Director authority to sell the Bonds in one or
53 more series, as either Parity Bonds or Parity Lien Obligations, or a combination
54 thereof, by competitive bid or negotiated sale, as provided in this ordinance, so
55 long as the aggregate principal amount of Bonds does not exceed \$350,000,000.

56 The sale of any series of the Bonds shall be ratified and confirmed by motion of
57 the council, as provided in this ordinance.

58 The ordinances authorizing the issuance of the outstanding Parity Bonds and
59 Parity Lien Obligations all provide that the county may issue additional Parity
60 Bonds and additional Parity Lien Obligations if certain conditions are met. By
61 each Sale Motion the council must find that the applicable parity conditions have
62 been or shall be met for each series of Bonds issued under this ordinance.

63 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

64 SECTION 1. Definitions; Interpretation.

65 A. **Definitions.** The following words and terms as used in this ordinance
66 have the following meanings for all purposes of this ordinance, unless some other
67 meaning is plainly intended.

68 "Accreted Value" means for any Parity Bonds that are Capital Appreciation
69 Bonds, as of any date of calculation, the sum of the amounts set forth in the ordinance,
70 resolution or motion authorizing such bonds as the amounts representing the initial
71 principal amount of such bonds plus the interest accumulated, compounded and unpaid
72 thereon as of the most recent compounding date, as provided in the ordinance, resolution
73 or motion authorizing the issuance of such bonds; provided, that if such calculation is not
74 made as of a compounding date, such amount shall be determined by straight-line
75 interpolation as of the immediately preceding and the immediately succeeding
76 compounding dates.

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

81 "Agency Customer" means any city, town, water-sewer district or other political
82 subdivision, person, firm, private corporation or other entity that collects sewage from
83 customers and disposes of any portion of that sewage into the System and is not a
84 Participant.

85 "Annual Debt Service" means, for any calendar year, the sum of the following:

86 1. The interest due for all outstanding Parity Bonds and Parity Lien
87 Obligations (i) on all interest payment dates (other than January 1) in such calendar year,
88 and (ii) on January 1 of the next succeeding year, and any Payment Agreement Payments
89 due on such dates in respect of any Parity Payment Agreements and Parity Lien
90 Obligation Payment Agreements, minus any Payment Agreement Receipts due in such
91 period in respect of any Parity Payment Agreements and Parity Lien Obligation Payment
92 Agreements.

93 a. For purposes of calculating the amounts required to pay interest on
94 Parity Bonds or Parity Lien Obligations, capitalized interest and accrued interest paid to
95 the county upon the issuance of Parity Bonds or Parity Lien Obligations shall be
96 excluded.

97 b. The amount of interest deemed to be payable on any issue of
98 Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated
99 on the assumption that the interest rate on those bonds would be equal to the rate ("the
100 assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or
101 comparable index during the fiscal quarter preceding the quarter in which the calculation
102 is made; provided, that for purposes of determining actual compliance in any past
103 calendar year with the rate covenant made in Section 17 of this ordinance, the actual
104 amount of interest paid on any issue of Variable Rate Parity Bonds or Parity Lien
105 Obligations shall be taken into account.

106 2. The principal due (at maturity or upon the mandatory redemption of Term
107 Bonds prior to their maturity) for all outstanding Parity Bonds and Parity Lien

108 Obligations (i) on all principal payment dates (other than January 1) of such calendar year
109 and (ii) on January 1 of the next succeeding year.

110 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or
111 upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation
112 Bonds shall be included in the calculation of Annual Debt Service, and references in this
113 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
114 upon the mandatory redemption of any Capital Appreciation Bonds.

115 Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien
116 Obligations with respect to which a Payment Agreement is in force shall be calculated by
117 the county to reflect the net economic effect on the county intended to be produced by the
118 terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable
119 Payment Agreement, in accordance with the requirements for Payment Agreements set
120 forth in Section 26 of this ordinance and any other applicable requirements from the
121 ordinances authorizing issuance of such Parity Bonds or Parity Lien Obligations.

122 From and after the date when no Parity Lien Obligations designated as Series
123 2008 Bonds or Series 2009 Bonds remain outstanding, for purposes of satisfying the rate
124 covenant in Section 17.B. of this ordinance and the tests for the issuance of additional
125 Parity Lien Obligations in Section 24 of this ordinance, Annual Debt Service for any
126 Fiscal Year or calendar year shall exclude any Debt Service Offsets.

127 "Annual Parity Debt Service" means, for any calendar year, the sum of the
128 following:

129 1. The interest due for all outstanding Parity Bonds (i) on all interest
130 payment dates (other than January 1) in such calendar year, and (ii) on January 1 of the

131 next succeeding year, and any Payment Agreement Payments due on such dates in
132 respect of Parity Payment Agreements, minus any Payment Agreement Receipts due in
133 such period in respect of such Parity Payment Agreements.

134 a. For purposes of calculating the amounts required to pay interest on
135 Parity Bonds, capitalized interest and accrued interest paid to the county upon the
136 issuance of Parity Bonds shall be excluded.

137 b. The amount of interest deemed to be payable on any issue of
138 Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on
139 those bonds would be equal to the rate ("the assumed RBI rate") that is 90% of the
140 average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter
141 preceding the quarter in which the calculation is made; provided, that for purposes of
142 determining actual compliance in any past calendar year with the rate covenant made in
143 Section 17 of this ordinance, the actual amount of interest paid on any issue of Variable
144 Rate Parity Bonds shall be taken into account.

145 2. The principal due (at maturity or upon the mandatory redemption of Term
146 Bonds prior to their maturity) for all outstanding Parity Bonds (i) on all principal
147 payment dates (other than January 1) of such calendar year and (ii) on January 1 of the
148 next succeeding year.

149 In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or upon
150 the mandatory redemption of Parity Term Bonds that are Capital Appreciation Bonds
151 shall be included in the calculation of Annual Debt Service, and references in this
152 ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or
153 upon the mandatory redemption of any Capital Appreciation Bonds.

Notwithstanding the foregoing, debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be calculated by the county to reflect the net economic effect of the terms of the Parity Bonds and the applicable Payment Agreement, in accordance with the requirements set forth in Section 26 of this ordinance and any other applicable requirements from the ordinances authorizing issuance of such Parity Bonds.

From and after such time as no Parity Bonds designated as 2006 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, for purposes of calculating the Reserve Requirement and satisfying the rate covenant in Section 17.A. of this ordinance and the tests for the issuance of Future Parity Bonds in Section 23 of this ordinance, Annual Parity Debt Service for any Fiscal Year or calendar year shall exclude any Debt Service Offsets.

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

"Beneficial Owner" means, with respect to a Bond, the owner of the beneficial interest in that Bond.

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

"Bond Registrar" means the fiscal agent of the State (as the same may be designated by the State from time to time) for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting the transfer of ownership of the Bonds and paying principal of and premium, if any, and interest on the Bonds.

177 "Bonds" means the \$350,000,000 aggregate principal amount of bonds of the
178 county authorized to be issued under this ordinance to pay costs of acquiring and
179 constructing improvements to the System. The Bonds may be issued in one or more
180 series of Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

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

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

191 "Closing" means the delivery of a series of the Bonds to, and payment of the
192 purchase price therefor by, the initial purchasers of that series of Bonds.

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

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

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

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

207 "Council" means the Metropolitan King County Council.

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

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

224 "Debt Service Offset" means receipts of the county, including federal interest
225 subsidy payments, designated as such by the county that are not included in Revenue of
226 the System and that are legally available to pay debt service on Parity Bonds, Parity Lien
227 Obligations or other obligations of the county payable from and secured by a pledge of
228 Revenue of the System.

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

230 "Finance Director" means the director of the finance and business operations
231 division of the department of executive services of the county or any other county officer
232 who succeeds to the duties now delegated to that office, or the designee of such officer.

233 "Fitch" means Fitch Ratings, and its successors and assigns, except that if that
234 entity is dissolved or liquidated or no longer performs the functions of a securities rating
235 agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized
236 securities rating agency selected by the county.

237 "Future Parity Bonds" means any sewer revenue bonds, warrants or other
238 obligations that may be issued in the future with a lien on Revenue of the System equal to
239 the lien thereon of the Parity Bonds.

240 "Government Obligations" means "government obligations" as defined in chapter
241 39.53 RCW, as now in existence or hereafter amended.

242 "Junior Lien Obligations" means the county's (i) Junior Lien Variable Rate
243 Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, dated August 15, 2001,
244 authorized by Ordinances 14171 and 14172, (ii) Junior Lien Variable Rate Demand

245 Sewer Revenue Bond, Series 2011, dated October 26, 2011, authorized by Ordinance
246 17202, (iii) Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, dated
247 December 27, 2012, authorized by Ordinance 17495, and (iv) any other revenue bonds or
248 revenue obligations having a lien on Revenue of the System equal to the lien thereon of
249 such bonds.

250 "Letter of Representations" means the Blanket Issuer Letter of Representations
251 dated May 1, 1995, by and between the county and DTC, as it may be amended from
252 time to time, and any successor or substitute letter relating to the operational procedures
253 of the Securities Depository.

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

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

262 "Multi-Modal LTGO/Sewer Revenue Bonds" means the county's Multi-Modal
263 Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2010A
264 and Series 2010B, and any additional limited tax general obligation bonds of the county
265 payable from Revenue of the System and having the same lien on Revenue of the System
266 as those bonds.

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

269 "Operating and Maintenance Expenses" means all normal expenses incurred by
270 the county in causing the System to be maintained in good repair, working order and
271 condition and includes payments to any private or governmental agency for the operation
272 or maintenance of facilities or for the disposal of sewage but excludes any allowance for
273 depreciation.

274 "Owner" means, with respect to a Bond, without distinction, the Beneficial Owner
275 or the Registered Owner.

276 "Parity Bond Fund" means the "Water Quality Revenue Bond Account"
277 designated pursuant to Ordinance 12076, Section 30, of the county and continued
278 pursuant to Section 9 of this ordinance for the purpose of paying and securing the
279 payment of the Parity Bonds.

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

282 "Parity Bonds" means the bonds identified as such in the Preamble to this
283 ordinance, together with (i) any Bonds issued under this ordinance with a lien on
284 Revenue of the System equal to the lien thereon of those bonds and (ii) any Future Parity
285 Bonds. "Parity Bonds" include any Parity Payment Agreements and parity
286 reimbursement agreements entered into with the provider of a Credit Facility securing
287 any Parity Bonds.

288 "Parity Lien Obligation Bond Fund" means the Water Quality Limited Tax
289 General Obligation Bond Redemption Fund, established pursuant to Ordinance 11241,

290 Section 8, of the county and continued pursuant to Section 10 of this ordinance, to
291 provide for payment of Parity Lien Obligations.

292 "Parity Lien Obligation Payment Agreement" means a Payment Agreement under
293 which the county's payment obligations are expressly stated to constitute a charge and
294 lien on Revenue of the System equal in rank with the charge and lien on Revenue of the
295 System securing amounts required to be paid into the Parity Lien Obligation Bond Fund
296 to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

297 "Parity Lien Obligation Term Bonds" means Parity Lien Obligations that are
298 Term Bonds.

299 "Parity Lien Obligations" means bonds identified as such in the Preamble to this
300 ordinance, together with (i) any Bonds issued under this ordinance with a lien on
301 Revenue of the System equal to the lien thereon of those bonds and (ii) any future Parity
302 Lien Obligations. "Parity Lien Obligations" include any Parity Lien Obligation Payment
303 Agreements and parity reimbursement agreements entered into with the provider of a
304 Credit Facility securing any Parity Lien Obligations.

305 "Parity Payment Agreement" means a Payment Agreement under which the
306 county's payment obligations are expressly stated to constitute a charge and lien on
307 Revenue of the System equal in rank with the charge and lien on Revenue of the System
308 securing amounts required to be paid into the Parity Bond Fund to pay and secure the
309 payment of principal of and interest on the Parity Bonds.

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

311 "Participant" means each city, town, county, water-sewer district, municipal
312 corporation, person, firm, private corporation or other entity that disposes of any portion

313 of its sanitary sewage into the System and has entered into a Service Agreement with the
314 county.

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

324 "Payment Agreement Payments" means the amounts periodically required to be
325 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The
326 term "Payment Agreement Payments" does not include any termination payment required
327 to be paid with respect to a Payment Agreement.

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

330 "Professional Utility Consultant" means a licensed professional engineer, a
331 Certified Public Accountant, or other independent person or firm selected by the county
332 having a favorable reputation for skill and experience with sewer systems of comparable
333 size and character to the System in such areas as are relevant to the purposes for which
334 they are retained.

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

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

350 "Qualified Insurance" means (i) so long as any Parity Bonds designated as 2006
351 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding,
352 any unconditional municipal bond insurance policy or surety bond issued by any
353 insurance company licensed to conduct an insurance business in any state of the United
354 States or by a service corporation acting on behalf of one or more such insurance
355 companies, which insurance company or service corporation is rated in one of the two
356 highest rating categories by Moody's, S&P, and any other rating agency then maintaining
357 a rating on the Parity Bonds, provided that as of the time of issuance of such policy or

358 surety bond, such insurance company or companies maintain a policy owner's surplus in
359 excess of \$500,000,000; and (ii) from and after such time as no Parity Bonds designated
360 as 2006 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain
361 outstanding, any unconditional municipal bond insurance policy or surety bond issued by
362 any insurance company licensed to conduct an insurance business in any state of the
363 United States or by a service corporation acting on behalf of one or more such insurance
364 companies, which insurance company or service corporation, as of the time of issuance of
365 such policy or surety bond, is then rated in one of the two highest rating categories by
366 Moody's, S&P, and any other rating agency then maintaining a rating on the Parity Bonds
367 and maintains a policy owner's surplus in excess of \$500,000,000.

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

374 "Rate Stabilization Fund" means the fund of that name created pursuant to
375 Ordinance 12314, Section 13.D., of the county and continued pursuant to Section 13.B.
376 of this ordinance.

377 "RCW" means the Revised Code of Washington.

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

381 "Registered Owner" means, with respect to a Bond, the person in whose name
382 that Bond is registered on the Bond Register.

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

385 "Revenue Fund" means the "Water Quality Operating Account" as designated by
386 Ordinance 12076, Section 30, of the county.

387 "Revenue of the System" means all the earnings, revenues and money received by
388 the county from or on account of the operations of the System and the income from the
389 investment of money in the Revenue Fund or any account within such fund, but shall not
390 include any money collected pursuant to the Service Agreements applicable to
391 administrative costs of the county other than costs of administration of the System. For
392 certain purposes described in Section 13.B. of this ordinance, deposits from the Rate
393 Stabilization Fund into the Revenue Fund may be included in calculations of "Revenue of
394 the System."

395 "Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the
396 Securities and Exchange Act of 1934, as the same may be amended from time to time.

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

401 "Sale Motion" means, with respect to each series of the Bonds, the motion of the
402 council approving a bond purchase contract (if the Bonds are sold by negotiated sale) or

403 accepting a bid (if the Bonds are sold by competitive bid) for the purchase of the Bonds
404 and ratifying the sale of the Bonds, all in accordance with Section 27 of this ordinance.

405 "SEC" means the United States Securities and Exchange Commission.

406 "Securities Depository" means DTC, any successor thereto, any substitute
407 securities depository selected by the county that is qualified under applicable laws and
408 regulations to provide the services proposed to be provided by it, or the nominee of any
409 of the foregoing.

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

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

420 "State" means the State of Washington.

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

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

426 "Tax Certificate" means the Federal Tax Certificate regarding certain federal tax
427 matters executed on behalf of the county upon the issuance of each series of the 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 20 of this ordinance and so designated pursuant to
431 Section 27.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 20
434 of this ordinance and so designated pursuant to Section 27.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 registered owners of Parity Bonds, as provided by this ordinance.

440 "Undertaking" means an undertaking for ongoing disclosure to be entered into by
441 the county for each series of Bonds, if and to the extent required by Rule15c2-12, as
442 authorized by a Sale Motion.

443 "Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable
444 rate of interest, provided that at least one of the following conditions is met: (i) at the
445 time of issuance the county has entered into a Payment Agreement with respect to such
446 Parity Bonds, which Payment Agreement converts the effective interest rate to the county
447 on the Variable Rate Parity Bonds from a variable interest rate to a fixed interest rate, or
448 (ii) the Parity Bonds bear interest at a variable rate but are issued concurrently in equal

449 par amounts with other Parity Bonds bearing interest at a variable rate and are required to
450 remain outstanding in equal amounts at all times, if the net effect of such equal par
451 amounts and variable rates at all times is a fixed rate of interest to the county.

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

462 B. **Rules of Interpretation.** As used in this ordinance, unless the context
463 otherwise requires:

464 1. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and
465 any similar terms refer to this ordinance as a whole and not to any particular section,
466 subsection, paragraph or clause of this ordinance.

467 2. Unless the context otherwise indicates, words expressed in the
468 singular may include the plural and vice versa, and the use of the neuter, masculine, or
469 feminine gender is for convenience only and is deemed to mean and include the neuter,
470 masculine or feminine gender, as appropriate.

471 3. Any headings preceding the text of the various sections and
472 subsections of this ordinance, and any table of contents or marginal notes appended to
473 copies of this ordinance, are solely for convenience of reference and do not constitute a
474 part of this ordinance, nor shall they affect its meaning, construction or effect.

475 4. All references in this ordinance to "sections," "subsections,"
476 "paragraphs" and "clauses" are to the corresponding sections, subsections, paragraphs or
477 clauses of this ordinance as originally passed.

478 5. The term "including" means "including without limitation."

479 SECTION 2. Findings. Because conditions in the capital markets are volatile,
480 the council finds that it is in the best interests of the county and ratepayers of the System
481 that the county retain the flexibility to issue the Bonds in one or more series, as Parity
482 Bonds or Parity Lien Obligations, to maximize interest rate savings. To achieve this
483 flexibility, the council further finds that it is in the best interests of the county and
484 ratepayers of the System that the sale of Bonds in one or more series, as Parity Bonds or
485 Parity Lien Obligations, as Tax-Exempt Bonds, Tax Benefited Bonds or otherwise, by
486 competitive bid or negotiated sale, for current or future delivery, be determined by the
487 Finance Director, in consultation with the county's financial advisors. Each sale of a
488 series of Bonds shall be ratified and confirmed by the council in a Sale Motion.

489 SECTION 3. Authorization of Bonds. To provide funds necessary to pay costs
490 of acquiring, constructing and equipping improvements, additions or betterments to the
491 System as set forth in the Comprehensive Plan, the county is authorized to issue the
492 Bonds in the aggregate principal amount of \$350,000,000.

493 The Bonds may be issued in one or more series of Parity Bonds or Parity Lien
494 Obligations, as provided in Section 27 of this ordinance, each such series of Parity Bonds
495 to be designated as "King County, Washington, Sewer Revenue Bonds" with an
496 applicable year and series designation, and each such series of Parity Lien Obligations to
497 be designated as "King County Limited Tax General Obligation Bonds (Payable from
498 Sewer Revenues)" with an applicable year and series designation. The Bonds shall be
499 fully registered as to both principal and interest; shall be in the denomination of \$5,000 or
500 any integral multiple thereof within a single series, maturity and interest rate; shall be
501 numbered separately in such manner and with any additional designation as the Bond
502 Registrar deems necessary for purposes of identification; and shall be dated the date and
503 mature on the dates, in the years and in the amounts established as provided in Section 27
504 of this ordinance.

505 The Bonds shall bear interest (computed, unless otherwise provided in the Sale
506 Motion, on the basis of a 360-day year of twelve 30-day months) from their dated date or
507 from the most recent interest payment date for which interest has been paid or duly
508 provided for, whichever is later, payable on interest payment dates and at the rate or rates
509 established as provided in Section 27 of this ordinance and ratified and confirmed by a
510 Sale Motion. The Accreted Values of any Bonds that are Capital Appreciation Bonds
511 shall be set forth in a Sale Motion.

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

513 A. **Bond Registrar/Bond Register.** In accordance with KCC 4.84, the
514 county adopts for the Bonds the system of registration specified and approved by the
515 Washington State Finance Committee, which utilizes the fiscal agent of the State as

516 registrar, authenticating agent, paying agent and transfer agent ("the Bond Registrar").
517 The Bond Registrar shall keep, or cause to be kept, at its designated corporate trust office,
518 sufficient books for the registration and transfer of the Bonds ("the Bond Register"),
519 which shall be open to inspection by the county at all times. The Bond Register shall
520 contain the name and mailing address of the Registered Owner of each Bond and the
521 principal amount and number of each of the Bonds held by each Registered Owner. The
522 Bond Registrar is authorized, on behalf of the county, to authenticate and deliver Bonds
523 transferred or exchanged in accordance with the provisions of the Bonds and this
524 ordinance, to serve as the county's paying agent for the Bonds and to carry out all of the
525 Bond Registrar's powers and duties under this ordinance.

526 The Bond Registrar shall be responsible for the representations contained in its
527 Certificate of Authentication on the Bonds. The Bond Registrar may become the Owner
528 of Bonds with the same rights it would have if it were not the Bond Registrar and, to the
529 extent permitted by law, may act as depository for and permit any of its officers or
530 directors to act as members of, or in any other capacity with respect to, any committee
531 formed to protect the rights of Owners.

532 B. **Registered Ownership.** The Bonds shall be issued only in registered
533 form as to both principal and interest and shall be recorded on the Bond Register. The
534 county and the Bond Registrar, each in its discretion, may deem and treat the Registered
535 Owner of each Bond as the absolute owner thereof for all purposes, and neither the
536 county nor the Bond Registrar shall be affected by any notice to the contrary. Payment of
537 each Bond shall be made as described in Section 4.E. of this ordinance, but registration of
538 ownership of each Bond may be transferred as provided herein. All payments made as

539 described in Section 4.E. of this ordinance shall be valid and shall satisfy and discharge
540 the liability of the county upon such Bond to the extent of the amount or amounts so paid.

541 C. **Use of Depository.** The Bonds initially shall be registered in the name of
542 Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities
543 Depository shall be held fully immobilized in book-entry only form by the Securities
544 Depository in accordance with the provisions of the Letter of Representations. Neither
545 the county nor the Bond Registrar shall have any obligation to participants of any
546 Securities Depository or the persons for whom they act as nominees regarding accuracy
547 of any records maintained by the Securities Depository or its participants. Neither the
548 county nor the Bond Registrar shall be responsible for any notice that is permitted or
549 required to be given to a Registered Owner except such notice as is required to be given
550 by the Bond Registrar to the Securities Depository.

551 For so long as the Bonds are registered in the name of the Securities Depository,
552 the Securities Depository shall be deemed to be the Registered Owner for all purposes
553 hereunder, and all references to Registered Owners shall mean the Securities Depository
554 and shall not mean the Beneficial Owners. Registered ownership of any Bond registered
555 in the name of the Securities Depository may not be transferred except: (i) to any
556 successor Securities Depository; (ii) to any substitute Securities Depository appointed by
557 the county; or (iii) to any person if the Bond is no longer to be held by a Securities
558 Depository.

559 Upon the resignation of the Securities Depository, or upon a termination of the
560 services of the Securities Depository by the county, the county may appoint a substitute
561 Securities Depository. If (i) the Securities Depository resigns and the county does not

562 appoint a substitute Securities Depository, or (ii) the county terminates the services of the
563 Securities Depository, the Bonds no longer shall be held in book-entry only form and the
564 registered ownership of each Bond may be transferred to any person as provided in this
565 ordinance.

566 **D. Registration Covenant.** The county covenants that, until all Bonds have
567 been surrendered and canceled, it will maintain a system for recording the ownership of
568 each Bond that complies with the provisions of Section 149 of the Code.

569 **E. Place and Medium of Payment.** Principal of and premium, if any, and
570 interest on the Bonds are payable in lawful money of the United States of America.
571 Principal of and premium, if any, and interest on each Bond registered in the name of the
572 Securities Depository are payable in the manner set forth in the Letter of Representations.
573 Interest on each Bond not registered in the name of the Securities Depository is payable
574 by electronic transfer on the interest payment date, or by check or draft of the Bond
575 Registrar mailed on the interest payment date to the Registered Owner at the address
576 appearing on the Bond Register on the Record Date. However, the county is not required
577 to make electronic transfers except pursuant to a request by a Registered Owner in
578 writing received on or prior to the Record Date and at the sole expense of the Registered
579 Owner. Principal of and premium, if any, on each Bond not registered in the name of the
580 Securities Depository are payable upon presentation and surrender of the Bond by the
581 Registered Owner to the Bond Registrar.

582 **F. Transfer or Exchange of Registered Ownership; Change in**
583 **Denominations.** The registered ownership of any Bond may be transferred or
584 exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Bond

585 Registrar with the assignment form appearing on such Bond duly executed by the
586 Registered Owner or such Registered Owner's duly authorized agent in a manner
587 satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel
588 the surrendered Bond and shall authenticate and deliver, without charge to the Registered
589 Owner or transferee therefor, a new Bond (or Bond, at the option of the new Registered
590 Owner) of the same series, date, maturity and interest rate and for the same aggregate
591 principal amount in any authorized denomination, naming as Registered Owner the
592 person or persons listed as the assignee on the assignment form appearing on the
593 surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may
594 be surrendered to the Bond Registrar and exchanged, without charge, for an equal
595 aggregate principal amount of Bonds of the same series, date, maturity and interest rate,
596 in any authorized denomination. The Bond Registrar shall not be obligated to exchange
597 or transfer any Bond during the 15 days preceding any principal payment or redemption
598 date, or, in the case of any proposed redemption of an Bond, after mailing of notice of the
599 call of the Bond for redemption.

600 **SECTION 5. Redemption Provisions; Purchase of Bonds.**

601 A. **Optional Redemption.** All or some of the Bonds may be subject to
602 redemption prior to their stated maturity dates at the option of the county at the times and
603 on the terms set forth in the Sale Motion.

604 B. **Mandatory Redemption.** The county shall redeem any Term Bonds, if
605 not redeemed under the optional redemption provisions set forth in the Sale Motion or
606 purchased under the provisions set forth herein, randomly (or in such other manner as set
607 forth in the applicable Sale Motion or as the Bond Registrar shall determine) at par plus

608 accrued interest on the dates and in the years and principal amounts as set forth in the
609 Sale Motion.

610 If the county redeems Term Bonds under the optional redemption provisions set
611 forth in the Sale Motion or purchases or defeases Term Bonds, the Term Bonds so
612 redeemed, purchased or defeased (irrespective of their redemption or purchase prices)
613 shall, unless otherwise provided in the Sale Motion, be credited against one or more
614 scheduled mandatory redemption amounts for those Term Bonds. The county shall
615 determine the manner in which the credit is to be allocated and shall notify the Bond
616 Registrar in writing of its allocation at least 60 days prior to the earliest mandatory
617 redemption date for the maturity of Term Bonds for which notice of redemption has not
618 already been given.

619 C. **Partial Redemption.** Whenever less than all of the Bonds of a single
620 maturity of a series are to be redeemed, the Securities Depository shall select the Bonds
621 registered in the name of the Securities Depository to be redeemed in accordance with the
622 Letter of Representations, and the Bond Registrar shall select all other Bonds to be
623 redeemed randomly, or in such other manner set forth in the Sale Motion or as the Bond
624 Registrar shall determine.

625 Portions of the principal amount of any Bond, in integral amounts of \$5,000, may
626 be redeemed, unless otherwise provided in the Sale Motion. If less than all of the
627 principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond
628 Registrar, there shall be issued to the Registered Owner, without charge therefor, a new
629 Bond (or Bonds, at the option of the Registered Owner) of the same series, maturity and

630 interest rate in any authorized denomination in the aggregate total principal amount
631 remaining outstanding.

632 D. **Purchase.** The county reserves the right and option to purchase any or all
633 of the Bonds in the open market or offered to the county at any time at any price
634 acceptable to the county plus accrued interest to the date of purchase.

635 E. **Bonds to be Canceled.** All Bonds purchased or redeemed under this
636 section shall be canceled.

637 SECTION 6. **Notice and Effect of Redemption.** Notice of redemption of each
638 Bond registered in the name of the Securities Depository shall be given in accordance
639 with the Letter of Representations. Notice of redemption of each other Bond, unless
640 waived by the Registered Owner, shall be given by the Bond Registrar not less than 20
641 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage
642 prepaid, to the Registered Owner at the address appearing on the Bond Register on the
643 Record Date. The requirements of the preceding sentences shall be deemed to have been
644 fulfilled when notice has been mailed as so provided, whether or not it is actually
645 received by any Owner. Notice of redemption shall also be mailed or sent electronically
646 within the same period to the MSRB, to any nationally recognized rating agency then
647 maintaining a rating on the Bonds at the request of the county, and to such other persons
648 and with such additional information as the Finance Director shall determine, but such
649 further notice shall not be a condition precedent to the redemption of any Bond.

650 In the case of an optional redemption, the notice of redemption may state that the
651 county retains the right to rescind the redemption notice and the redemption by giving a
652 notice of rescission to the affected Registered Owners at any time on or prior to the date

653 fixed for redemption. Any notice of optional redemption that is so rescinded shall be of
654 no effect, and each Bond for which a notice of optional redemption has been rescinded
655 shall remain outstanding.

656 Interest on each Bond called for redemption shall cease to accrue on the date fixed
657 for redemption, unless either the notice of optional redemption is rescinded as set forth
658 above, or money sufficient to effect such redemption is not on deposit in the Parity Bond
659 Fund or the Parity Lien Obligation Bond Fund, as applicable, or in a trust account
660 established to refund or defease the Bond.

661 **SECTION 7. Form and Execution of Bonds.** Bonds issued as Parity Bonds
662 shall be in substantially the form set forth in Attachment C to this ordinance. Bonds
663 issued as Parity Lien Obligations shall be in substantially the form set forth in
664 Attachment D to this ordinance. The Bonds shall be signed by the county executive and
665 the clerk of the council, either or both of whose signatures may be manual or in facsimile,
666 and the seal of the county or a facsimile reproduction thereof shall be impressed or
667 printed thereon.

668 Only a Bond bearing a Certificate of Authentication in the form set forth in
669 Attachment C or Attachment D to this ordinance, as applicable, manually signed by the
670 Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of
671 this ordinance. The authorized signing of a Certificate of Authentication shall be
672 conclusive evidence that the Bond so authenticated has been duly executed, authenticated
673 and delivered and is entitled to the benefits of this ordinance.

674 If any officer whose manual or facsimile signature appears on a Bond ceases to be
675 an officer of the county authorized to sign bonds before the Bond bearing his or her

676 manual or facsimile signature is authenticated by the Bond Registrar, or issued or
677 delivered by the county, that Bond nevertheless may be authenticated, issued and
678 delivered and, when authenticated, issued and delivered, shall be as binding on the county
679 as though that person had continued to be an officer of the county authorized to sign
680 bonds. Any Bond also may be signed on behalf of the county by any person who, on the
681 actual date of signing of the Bond, is an officer of the county authorized to sign bonds,
682 although he or she did not hold the required office on the dated date of the Bond.

683 SECTION 8. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond
684 becomes mutilated, the Bond Registrar may authenticate and deliver a new Bond or
685 Bonds of like amount, date, series, interest rate and tenor to the Registered Owner thereof
686 upon the Registered Owner's paying the expenses and charges of the county and the Bond
687 Registrar in connection therewith and upon surrender to the Bond Registrar of the Bond
688 so mutilated. Every mutilated Bond so surrendered shall be canceled and destroyed by
689 the Bond Registrar.

690 If any Bond is lost, stolen or destroyed, the Bond Registrar may authenticate and
691 deliver a new Bond or Bonds of like amount, date, series, interest rate and tenor to the
692 Registered Owner thereof upon the Registered Owner's paying the expenses and charges
693 of the county and the Bond Registrar in connection therewith and upon filing with the
694 Bond Registrar evidence satisfactory to the Bond Registrar that such Bond was actually
695 lost, stolen or destroyed and of registered ownership thereof, and upon furnishing the
696 county and the Bond Registrar with indemnity satisfactory to the Finance Director and
697 the Bond Registrar.

698 **SECTION 9. Parity Bond Fund.** A special fund of the county known as the
699 "Water Quality Revenue Bond Account" ("the Parity Bond Fund") has heretofore been
700 created and is hereby continued, along with the accounts therein described in this section.
701 The Parity Bond Fund is at all times completely segregated and set apart from all other
702 funds and accounts of the county and is a trust fund for the security and payment of the
703 principal of and interest and any redemption premium on any Parity Bonds. All money
704 credited to the Parity Bond Fund is pledged and ordered to be used for the sole purpose of
705 paying the principal of and interest and any redemption premium on the Parity Bonds.

706 A. **Debt Service Account.** A "Debt Service Account" has heretofore been
707 established in the Parity Bond Fund. The county hereby obligates and binds itself to set
708 aside and pay into that account out of Revenue of the System amounts sufficient, together
709 with accrued interest, if any, received at the time of delivery of any series of Bonds that
710 are Parity Bonds and deposited therein, income from the investment of money in the Debt
711 Service Account and Parity Bond Reserve Account, and any other money on deposit in
712 the Debt Service Account and legally available, to pay the principal of and interest on
713 outstanding Parity Bonds as the same become due and payable.

714 For each series of the Bonds that are Parity Bonds there is hereby authorized to be
715 created a special subaccount in the Debt Service Account. All money required by this
716 subsection A. of this section to be deposited into the Debt Service Account for the
717 payment of principal of and interest on that series of the Bonds shall be deposited into the
718 subaccount created for the series. Money in the subaccount will be treated in all respects
719 as all other money in the Debt Service Account, but will be accounted for separately for

720 the purpose of calculating any Rebate Amount payable with respect to that series of the
721 Bonds.

722 Payments on account of each series of the Bonds that are Parity Bonds will be
723 made out of Revenue of the System into the applicable debt service subaccount in the
724 Parity Bond Fund on or before the day each payment of interest on or principal of those
725 Bonds is due.

726 B. **Term Bond Provisions.** If any Bonds issued as Parity Bonds are
727 designated as Term Bonds pursuant to Section 27 of this ordinance, the Sale Motion for
728 that series of Bonds shall set forth a mandatory redemption schedule to amortize the
729 principal of those Parity Term Bonds. Payments of principal of Parity Term Bonds under
730 any such mandatory redemption schedule shall be made from the Debt Service Account,
731 as provided in subsection A. of this section, to the extent not credited pursuant to Section
732 5.B. of this ordinance.

733 The county covenants that if it issues any Future Parity Bonds as Term Bonds, it
734 will identify those Future Parity Bonds as Parity Term Bonds in the proceedings
735 authorizing their issuance and establish a schedule of mandatory redemptions, payable
736 from the Debt Service Account, to amortize the principal of the Parity Term Bonds prior
737 to their maturity.

738 C. **Parity Bond Reserve Account.** A Parity Bond Reserve Account has
739 heretofore been established in the Parity Bond Fund. The county hereby pledges that it
740 will pay into and maintain in the Parity Bond Reserve Account an amount that together
741 with other funds in the Parity Bond Reserve Account will be at least equal to the Reserve
742 Requirement. The county may substitute Qualified Insurance or a Qualified Letter of

743 Credit for amounts required to be paid into or maintained in the Parity Bond Reserve
744 Account. The Qualified Letter of Credit or Qualified Insurance must not be cancelable
745 on less than five years' notice. In the event of any cancellation, the Parity Bond Reserve
746 Account will be funded in accordance with the provisions of this section providing for
747 payment in the event of a deficiency therein, as if the Parity Bonds that remain
748 outstanding had been issued on the date of such notice of cancellation.

749 On the date of Closing of a series of Bonds that are Parity Bonds, an amount
750 sufficient to satisfy the Reserve Requirement in the Parity Bond Reserve Account
751 required by the issuance of that series of Bonds must be deposited therein from the
752 proceeds of Parity Bonds or other funds available therefor or provided for by Qualified
753 Insurance or a Qualified Letter of Credit, as herein permitted.

754 If there is a deficiency in the Debt Service Account to make any payment when
755 due of either principal of or interest on any Parity Bonds, the deficiency will be made up
756 from the Parity Bond Reserve Account by the withdrawal of money therefrom and by the
757 sale or redemption of obligations held in the Parity Bond Reserve Account, if necessary,
758 in such amounts as will provide cash in the Parity Bond Reserve Account sufficient to
759 make up any such deficiency. If a deficiency still exists immediately prior to an interest
760 payment date and after the withdrawal of cash, the county will then draw from any
761 Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in
762 sufficient amount to make up the deficiency. The draw will be made at such times and
763 under such conditions as the agreement for the Qualified Letter of Credit or Qualified
764 Insurance provides. If more than one Qualified Letter of Credit or Qualified Insurance is
765 available, draws will be made ratably thereon to make up the deficiency. Any deficiency

766 created in the Parity Bond Reserve Account by reason of any such withdrawal must then
767 be made up from Revenue of the System that is available after first making the payments
768 required to be made under paragraph "First" through "Third" of Section 14 of this
769 ordinance.

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

772 SECTION 10. Parity Lien Obligation Bond Fund. A special fund of the county
773 known as the "Water Quality Limited Tax General Obligation Bond Redemption Fund"
774 ("the Parity Lien Obligation Bond Fund") has heretofore been created and is hereby
775 continued, along with the accounts therein described in this section. The Parity Lien
776 Obligation Bond Fund is at all times completely segregated and set apart from all other
777 funds and accounts of the county and is a trust fund for the security and payment of the
778 principal of and interest and any redemption premium on the Parity Lien Obligations. All
779 money credited to the Parity Lien Obligation Bond Fund is pledged and ordered to be
780 used for the sole purpose of paying the principal of and interest and any redemption
781 premium on the Parity Lien Obligations.

782 A. **Debt Service Account.** A "Debt Service Account" has heretofore been
783 established in the Parity Lien Obligation Bond Fund. The county hereby obligates and
784 binds itself to set aside and pay into that account out of Revenue of the System amounts
785 sufficient, together with accrued interest, if any, received at the time of delivery of any
786 series of Bonds issued as Parity Lien Obligations and deposited therein, income from the
787 investment of money in the Debt Service Account and any other money on deposit in the

788 Debt Service Account and legally available, to pay the principal of and interest on
789 outstanding Parity Lien Obligations as the same become due and payable.

790 For each series of the Bonds issued as Parity Lien Obligations, there is hereby
791 authorized to be created a special subaccount in the Debt Service Account. All money
792 required by this subsection A. to be deposited into the Debt Service Account for the
793 payment of principal of and interest on that series of the Bonds will be deposited into the
794 subaccount created for the series. Money in that subaccount will be treated in all respects
795 as all other money in the Debt Service Account, but will be accounted for separately for
796 the purpose of calculating any Rebate Amount payable with respect to that series of the
797 Bonds.

798 Payments on account of each series of the Bonds issued as Parity Lien
799 Obligations will be made out of Revenue of the System into the applicable debt service
800 subaccount in the Parity Lien Obligation Bond Fund on or before the day each payment
801 of interest on or principal of those Bonds is due.

802 **B. Term Bond Provisions.** If any Bonds issued as Parity Lien Obligations
803 are designated as Term Bonds pursuant to Section 27 of this ordinance, the Sale Motion
804 for that series of Bonds shall set forth a mandatory redemption schedule to amortize the
805 principal of those Parity Lien Obligation Term Bonds. Payments of principal of Parity
806 Lien Obligation Term Bonds under any such mandatory redemption schedule will be
807 made from the Debt Service Account, as provided in subsection A. of this section, to the
808 extent not credited pursuant to Section 5.B. of this ordinance.

809 The county covenants that if it issues any additional Parity Lien Obligations as
810 Term Bonds, it will identify those Parity Lien Obligations as Term Bonds in the

811 proceedings authorizing their issuance and establish a schedule of mandatory
812 redemptions, payable from the Debt Service Account, to amortize the principal of those
813 Parity Lien Obligation Term Bonds prior to their maturity.

814 SECTION 11. Pledge of Taxation and Credit. The county hereby irrevocably
815 covenants and agrees for as long as any Bonds issued as Parity Lien Obligations are
816 outstanding and unpaid, that each year it will include in its budget and levy an *ad*
817 *valorem* tax upon all the property within the county subject to taxation in an amount that
818 will be sufficient, together with all other revenues and money of the county legally
819 available for such purposes, to pay the principal of and interest on those Bonds issued as
820 Parity Lien Obligations as the same become due. All of the taxes so collected will be
821 paid into the Parity Lien Obligation Bond Fund no later than the date those funds are
822 required for the payment of principal and interest on the Bonds issued as Parity Lien
823 Obligations.

824 The county hereby irrevocably pledges that the annual tax herein authorized to be
825 levied for the payment of such principal and interest shall be within and a part of the tax
826 levy permitted to counties without a vote of the people, and that a sufficient portion of the
827 taxes to be levied and collected annually by the county prior to the full payment of the
828 principal of and interest on the Bonds issued as Parity Lien Obligations will be and is
829 hereby irrevocably set aside, pledged and appropriated for the payment of the principal of
830 and interest on those Bonds.

831 The full faith, credit and resources of the county are hereby irrevocably pledged
832 for the annual levy and collection of those taxes and for the prompt payment of the

833 principal of and interest on those Bonds issued as Parity Lien Obligations as the same
834 become due.

835 Any Bonds issued hereunder as Parity Bonds are not general obligations of the
836 county, and neither the full faith and credit nor the taxing power of the county are
837 pledged to pay or secure the payment of Bonds issued as Parity Bonds hereunder.

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

839 A. **Parity Bonds.** The amounts covenanted to be paid out of Revenue of the
840 System into the Parity Bond Fund and the accounts therein shall constitute a lien and
841 charge on Revenue of the System superior to all other charges of any kind or nature
842 except Operating and Maintenance Expenses, and of equal lien to any charges heretofore
843 or hereafter made on Revenue of the System for the payment of the principal of and
844 interest on any Parity Bonds.

845 If money and investments in the Debt Service Account of the Parity Bond Fund
846 and the Parity Bond Reserve Account are reduced below the amounts required to pay the
847 principal and/or interest then due and payable on any Parity Bonds, funds on deposit in
848 any reserve created in the Revenue Fund not then required for the payment of necessary
849 Operating and Maintenance Expenses will be transferred to the Debt Service Account of
850 the Parity Bond Fund to the extent required to pay that principal and interest.

851 B. **Parity Lien Obligations.** The amounts covenanted to be paid out of
852 Revenue of the System into the Parity Lien Obligation Bond Fund and the accounts
853 therein shall constitute a lien and charge on Revenue of the System subject to Operating
854 and Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on
855 Revenue of the System for the payments required by the ordinances authorizing the

856 Parity Bonds to be made into the Parity Bond Fund and the accounts therein, and equal to
857 the lien and charge on Revenue of the System for the payments required to be made by
858 the ordinances authorizing the issuance of the outstanding Parity Lien Obligations and
859 any additional Parity Lien Obligations, and superior to all other liens and charges on
860 Revenue of the System whatsoever.

861 **SECTION 13. Revenue Fund; Rate Stabilization Fund.**

862 A. **Revenue Fund.** A special fund of the county known as the "Water
863 Quality Operating Account" ("the Revenue Fund") has heretofore been created and is
864 hereby continued. All Revenue of the System will be deposited in the Revenue Fund.
865 All Operating and Maintenance Expenses will be paid out of the Revenue Fund or
866 appropriate reserves therein.

867 B. **Rate Stabilization Fund.** In anticipation of increases in revenue
868 requirements of the System, a special fund of the county designated as the "Sewer Rate
869 Stabilization Fund" ("the Rate Stabilization Fund") has heretofore been established and is
870 hereby continued. The county may from time to time appropriate or budget amounts in
871 the Revenue Fund for deposit in the Rate Stabilization Fund, as provided in Section 14 of
872 this ordinance, and may from time to time withdraw amounts therefrom for deposit in the
873 Revenue Fund to prevent or mitigate sewer rate increases or for other lawful purposes of
874 the county related to the System, including calculations of "Net Revenue" and "Revenue
875 of the System" for the purposes of satisfying requirements of Sections 17, 23 and 24 of
876 this ordinance.

877 For any fiscal year, (i) amounts withdrawn from the Revenue Fund and deposited
878 into the Rate Stabilization Fund for that fiscal year must be subtracted from Net Revenue

879 for that fiscal year, and (ii) amounts withdrawn from the Rate Stabilization Fund and
880 deposited in the Revenue Fund for that fiscal year may be added to Revenue of the
881 System for that fiscal year.

882 SECTION 14. Sewer Revenue Priorities of Payment. So long as any Bond is
883 outstanding, all Revenue of the System will be deposited into the Revenue Fund and used
884 and applied in the following order of priority:

885 **First**, to pay all Operating and Maintenance Expenses;

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

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

895 **Fourth**, to establish and maintain the Parity Bond Reserve Account (including
896 making deposits into such account and paying the costs of obtaining Qualified Insurance
897 or a Qualified Letter of Credit therefor);

898 **Fifth**, to make all required payments of principal and interest on the Parity Lien
899 Obligations and to make any Payment Agreement Payments with respect to any Parity
900 Lien Obligation Payment Agreements; and

901 **Sixth**, to make all required payments of principal of and interest on the Junior
902 Lien Obligations as the same become due and payable, to make all Payment Agreement
903 Payments with respect to any Payment Agreements entered into with respect to Junior
904 Lien Obligations, and to make any payments required to be made to providers of any
905 credit enhancements or liquidity facilities for Junior Lien Obligations;

906 **Seventh**, to make all required payments of principal of and interest on the Multi-
907 Modal LTGO/Sewer Revenue Lien Obligations as the same become due and payable, to
908 make all Payment Agreement Payments for any Payment Agreements entered into with
909 respect to Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments
910 required to be made to providers of credit enhancements or liquidity facilities for any
911 Multi-Modal LTGO/Sewer Revenue Bonds;

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

914 **Ninth**, to make all required payments of principal of and interest on bonds, notes,
915 warrants and other evidences of indebtedness, the lien and charge on Revenue of the
916 System of which is junior and inferior to the Subordinate Lien Obligations, as the same
917 become due and payable; and

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

920 Any surplus money that the county may have on hand in the Revenue Fund after
921 making all required payments set forth above may be used by the county (i) to make
922 necessary improvements, additions and repairs to and extensions and replacements of the
923 System, (ii) to purchase or redeem and retire outstanding sewer revenue bonds of the

924 county, (iii) to make deposits into the Rate Stabilization Fund, or (iv) for any other lawful
925 purposes of the county related to the System.

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

927 A. **Construction Account.** There has heretofore been created a special fund
928 of the county known as the "Second Water Quality Construction Account" ("the
929 Construction Account"). For purposes of separately accounting for investment earnings
930 on the proceeds of the Bonds to facilitate compliance with the requirements of Section 20
931 of this ordinance, there is hereby established for each series of Bonds issued hereunder a
932 special subaccount within the Construction Account to be designated as the "Series
933 [applicable year designation] Construction Subaccount" (each a "Construction
934 Subaccount").

935 Money in each Construction Subaccount will be held and applied to pay costs of
936 acquiring, constructing and equipping improvements, additions or betterments to the
937 System as set forth in the Comprehensive Plan and all costs incidental thereto, including
938 engineering, architectural, planning, financial, legal, urban design or any other incidental
939 costs, and to repay any advances heretofore or hereafter made on account of such costs,
940 provided that if deficiencies exist in the Parity Bond Fund or Parity Lien Obligation Bond
941 Fund, money in any Construction Subaccount may be transferred to such fund in any
942 amounts necessary to pay principal of and interest on Parity Bonds or Parity Lien
943 Obligations, as applicable. Pursuant to a Sale Motion, proceeds of a series of Bonds may
944 be designated to pay capitalized interest on those Bonds and may be held in the
945 applicable Construction Subaccount or in a trust account to be established with an escrow

946 agent or refunding trustee appointed by the Finance Director, as provided in the Sale
947 Motion.

948 B. **Disposition of Bond Proceeds.** The proceeds of the Bonds will be
949 deposited as follows:

950 1. The amount equal to the interest, if any, accruing on each series of
951 the Bonds from their dated date to the date of their Closing will be deposited in the
952 appropriate subaccount for the series created in the Debt Service Account in the Parity
953 Bond Fund or Parity Lien Obligation Bond Fund, as applicable.

954 2. Proceeds of each series of the Bonds issued as Parity Bonds may
955 be deposited into the Parity Bond Reserve Account, as will be provided for in each Sale
956 Motion for any Bonds issued as Parity Bonds.

957 3. The balance of the proceeds of any Bonds will be deposited in the
958 appropriate Construction Subaccount (including an escrow account that may be
959 established for capitalized interest) as provided in subsection A. of this section and
960 applied as provided in subsection A. of this section.

961 SECTION 16. Due Regard for Expenses. The council hereby declares that, in
962 fixing the amounts to be paid into the Parity Bond Fund and Parity Lien Obligation Bond
963 Fund, as applicable, and the accounts therein, out of Revenue of the System, it has
964 exercised due regard for the necessary Operating and Maintenance Expenses and has not
965 obligated the county to set aside, pay into and maintain in such funds and accounts a
966 greater amount of Revenue of the System than in its judgment will be available over and
967 above the necessary Operating and Maintenance Expenses.

968 SECTION 17. Rate Covenants.

969 A. **Parity Bonds.** The county hereby covenants with the Registered Owner
970 of each of the Bonds issued as Parity Bonds for so long as any of the same are
971 outstanding that the county will at all times establish, maintain and collect rates and
972 charges for sewage disposal service that will provide in each calendar year Net Revenue
973 in an amount that, together with the interest earned during that calendar year on
974 investments of money in the Parity Bond Fund, Parity Bond Reserve Account and
975 Construction Account, will equal or exceed 1.15 times the amount required to pay the
976 Annual Parity Debt Service for such calendar year.

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

985 B. **Parity Lien Obligations.** The county hereby covenants with the
986 Registered Owner of each of the Bonds issued as Parity Lien Obligations for so long as
987 any of the same are outstanding that the county will at all times establish, maintain and
988 collect rates and charges for sewage disposal service that will be fair and
989 nondiscriminatory and adequate to provide Revenue of the System sufficient for the
990 proper operation and maintenance of the System; for the punctual payment of the
991 principal of and interest on all outstanding Parity Bonds for which payment has not

992 otherwise been provided and all amounts that the county is obligated to set aside in the
993 Parity Bond Fund securing the Parity Bonds; for the punctual payment of the principal of
994 and interest on all outstanding Parity Lien Obligations and for all amounts that the county
995 is obligated to set aside in the Parity Lien Obligation Bond Fund; and for the payment of
996 any and all other amounts that the county is now or may hereafter become obligated to
997 pay from Revenue of the System.

998 The county hereby further covenants with the Registered Owner of each of the
999 Bonds issued as Parity Lien Obligations for so long as any of the same are outstanding
1000 that the county will at all times establish, maintain and collect rates and charges for
1001 sewage disposal service that will provide in each calendar year Net Revenue in an
1002 amount that, together with the interest earned during that calendar year on investments
1003 made of money in the Parity Bond Fund, Parity Bond Reserve Account, Parity Lien
1004 Obligation Bond Fund and Construction Account, is equal to at least 1.15 times the
1005 amounts required to pay the Annual Debt Service for such calendar year.

1006 **C. Rate Stabilization Fund.** In determining compliance with the
1007 requirements of this section, Revenue of the System and Net Revenue shall be calculated
1008 by taking into account deposits and withdrawals from the Rate Stabilization Fund as
1009 provided in Section 13.B. of this ordinance.

1010 **SECTION 18. Certain Other Covenants of the County Regarding the Bonds.**

1011 The county hereby covenants with the Registered Owner of each of the Bonds for as long
1012 as any of the Bonds are outstanding, as follows:

1013 **A. Maintain in Good Order.** The county will cause the System and the
1014 business in connection therewith to be operated in a safe, sound, efficient, and economic

1015 manner in compliance with all health, safety, and environmental laws, regulatory body
1016 rules, regulatory body orders and court orders applicable to the county's operation of the
1017 System, and will cause to be maintained, preserved, reconstructed, expanded and kept,
1018 with all appurtenances and every part and parcel thereof, in good repair, working order
1019 and condition, and will from time to time cause to be made, without undue deferral, all
1020 necessary or proper repairs, replacements and renewals, so that all times the operation of
1021 the System will be properly and advantageously conducted.

1022 B. **Books and Records.** The county will cause proper books of record and
1023 accounts of operation of the System to be kept, including an annual financial report.

1024 C. **Annual Audit.** The county will cause its books of accounts, including its
1025 annual financial report, to be audited annually by the State auditor's office or other State
1026 department or agency as may be authorized and directed by law to make such audits, or if
1027 such an audit is not made for twelve months after the close of any fiscal year of the
1028 county, by a Certified Public Accountant. The county will furnish the audit to the Owner
1029 of any Bond upon written request therefor.

1030 D. **Insurance.** The county will at all times carry fire and extended coverage
1031 and such other forms of insurance on such of the buildings, equipment, facilities and
1032 properties of the System as under good practice are ordinarily carried on such buildings,
1033 equipment, facilities and properties by municipal or privately owned utilities engaged in
1034 the operation of sewer systems and will also carry adequate public liability insurance at
1035 all times, provided that the county may, if deemed advisable by the council, institute or
1036 continue a self insurance program for any or all of the aforementioned risks.

1037 E. **Construction.** The county will cause the construction of any duly
1038 authorized and ordered portions of the Comprehensive Plan to be performed and
1039 completed within a reasonable time and at the lowest reasonable cost.

1040 F. **Collection of Revenue.** The county will operate and maintain the System
1041 and conduct its affairs so as to entitle it at all times to receive and enforce payment to it
1042 of sewage disposal charges payable (i) pursuant to the ordinance or ordinances
1043 establishing a tariff of rates and charges for sewage disposal services and (ii) under any
1044 Service Agreement that the county has now or may hereafter enter into and to entitle the
1045 county to collect all revenues derived from the operation of the System. The county shall
1046 not release the obligations of any person, corporation or political subdivision under such
1047 tariff of rates and charges or the Service Agreements and shall at all times, to the extent
1048 permitted by law, defend, enforce, preserve and protect the rights and privileges of the
1049 county and of the registered owners of the Parity Bonds and Parity Lien Obligations
1050 under or with respect thereto.

1051 In accordance with RCW 35.58.200(3), the county shall require any county, city,
1052 special district or other political subdivision to discharge to the System all sewage
1053 collected by that entity from any portion of the Seattle metropolitan area that can drain by
1054 gravity flow into facilities of the System that serve such areas if the council declares that
1055 the health, safety or welfare of the people within the metropolitan area require such
1056 action.

1057 G. **Legal Authority.** The county has full legal right, power and authority to
1058 adopt this ordinance, to sell, issue and deliver Bonds as provided herein, and to carry out
1059 and consummate all other transactions contemplated by this ordinance.

1060 H. **Due Authorization.** By all necessary official action prior to or
1061 concurrently herewith, the county has duly authorized and approved the execution and
1062 delivery of, and the performance by the county of its obligations contained in, the Bonds
1063 and in this ordinance and the consummation by it of all other transactions necessary to
1064 effectuate this ordinance in connection with the issuance of Bonds, and such
1065 authorizations and approvals are in full force and effect and have not been amended,
1066 modified or supplemented in any material respect.

1067 I. **Binding Obligation.** This ordinance constitutes a legal, valid and binding
1068 obligation of the county.

1069 J. **No Conflict.** The county's adoption of this ordinance and its compliance
1070 with the provisions contained herein will not conflict with or constitute a breach of or
1071 default under any constitutional provision, law, administrative regulation, judgment,
1072 decree, loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement
1073 or other instrument to which the county is a party or to which the county or any of its
1074 property or assets are otherwise subject, nor will any such adoption or compliance result
1075 in the creation or imposition of any lien, charge or other security interest or encumbrance
1076 of any nature whatsoever upon any of the property or assets of the county or under the
1077 terms of any such law, regulation or instrument, except as permitted by this ordinance
1078 and the ordinances authorizing the issuance of other Parity Bonds and Parity Lien
1079 Obligations.

1080 K. **Performance Under Ordinance.** None of the proceeds of the Bonds will
1081 be used for any purpose other than as provided in this ordinance, and the county shall not
1082 suffer any amendment or supplement to this ordinance, or any departure from the due

1083 performance of the obligations of the county hereunder, that might materially adversely
1084 affect the rights of the Registered Owners from time to time of the Bonds.

1085 L. **Sale or Disposition.** The county will not sell or voluntarily dispose of all
1086 of the operating properties of the System unless provision is made for payment into the
1087 Parity Bond Fund and the Parity Lien Obligation Bond Fund of a sum sufficient to pay
1088 the principal of and interest on all outstanding Parity Bonds and Parity Lien Obligations
1089 in accordance with the terms thereof, nor will the county sell or voluntarily dispose of
1090 any part of the operating properties of the System unless provision is made (i) for
1091 payment into the Parity Bond Fund of an amount that will bear at least the same
1092 proportion to the amount of the outstanding Parity Bonds that the estimated amount of
1093 any resulting reduction in Revenue of the System for the twelve months following such
1094 sale or disposition bears to the Revenue of the System that would have been realized if
1095 such sale or disposition had not been made and (ii) for payment into the Parity Lien
1096 Obligation Bond Fund of an amount that will bear at least the same proportion to the
1097 amount of the outstanding Parity Lien Obligations that the estimated amount of any
1098 resulting reduction in Revenue of the System for the twelve months following such sale
1099 or disposition bears to the Revenue of the System that would have been realized if such
1100 sale or disposition had not been made. Those estimates must be made by a Professional
1101 Utility Consultant. Any money so paid into the Parity Bond Fund and the Parity Lien
1102 Obligation Bond Fund must be used to retire outstanding Parity Bonds and Parity Lien
1103 Obligations as provided herein at the earliest possible date; provided, however, that the
1104 county may sell or otherwise dispose of any of the works, plant, properties and facilities
1105 of the System or any real or personal property comprising a part of the System with a

1106 value of less than 5% of the net utility plant of the System or that have become
1107 unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or
1108 no longer necessary, material to or useful in such operation, without making any deposit
1109 into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

1110 **SECTION 19. Certain Other Covenants of the County Regarding the Bonds**

1111 **Issued as Parity Lien Obligations.** The county makes the following covenants and
1112 warranties to the Registered Owner of each of the Bonds issued as Parity Lien
1113 Obligations:

1114 A. The Bonds issued as Parity Lien Obligations, when issued, sold,
1115 authenticated and delivered, will constitute the legal, valid and binding general
1116 obligations of the county.

1117 B. The county covenants that the Bonds issued as Parity Lien Obligations
1118 will be issued within all statutory and constitutional debt limitations applicable to the
1119 county.

1120 **SECTION 20. Tax Covenants.**

1121 A. **General.** The county may elect to structure any series of Bonds so that
1122 interest on that series of Bonds would be taxable or excludable from gross income for
1123 federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Code
1124 and the applicable regulations ("the Tax-Exempt Bonds") or to confer other benefits
1125 under the Code to the county or Owners of that series of Bonds ("Tax-Benefited Bonds").
1126 The county covenants not to take any action, or knowingly omit to take any action within
1127 its control, that if taken or omitted would cause the interest on Tax-Exempt Bonds to be
1128 includable in gross income, as defined in Section 61 of the Code, for federal income tax

1129 purposes. Additional tax covenants as necessary or desirable for any series of Bonds may
1130 be set forth in the Sale Motion or Tax Certificate for that series of Bonds.

1131 B. **Tax Certificate.** Upon the issuance of any series of Tax-Exempt Bonds
1132 or Tax-Benefited Bonds, the Finance Director is authorized to execute the Tax
1133 Certificate, which will certify to various facts and representations concerning that series
1134 of Bonds, based on the facts and estimates known or reasonably expected on the date of
1135 their issuance, and make certain covenants with respect to that series of Bonds as may be
1136 necessary or desirable to obtain or maintain the benefits conferred under the Code
1137 relating to that series of Tax-Exempt Bonds or Tax-Benefited Bonds.

1138 The county covenants that it will comply with the Tax Certificate unless it
1139 receives advice from nationally recognized bond counsel or the Internal Revenue Service
1140 that certain provisions have been amended or no longer apply to the Tax-Exempt Bonds
1141 or Tax-Benefited Bonds, as applicable.

1142 C. **Arbitrage Rebate.** If the county does not qualify for an exception to the
1143 requirements of Section 148(f) of the Code relating to the payment of arbitrage rebate to
1144 the United States with respect to a series of Bonds, the county will take all necessary
1145 steps to comply with the requirement that certain amounts earned by the county on the
1146 investment of the "gross proceeds" of that series of Bonds (within the meaning of the
1147 Code) be rebated.

1148 SECTION 21. Trustee for Registered Owners of Parity Bonds.

1149 A. **Appointment of Trustee.** Upon the occurrence of any "event of default"
1150 described in Section 22.A. of this ordinance, the registered owners of a majority in
1151 principal amount of the outstanding Parity Bonds may appoint a Trustee by an instrument

1152 or concurrent instruments in writing signed and acknowledged by such registered owners
1153 or by their attorneys-in-fact duly authorized and delivered to the Trustee, notification
1154 thereof being given to the county. Any appointment of a Trustee under the provisions of
1155 this subsection A. must be a bank or trust company organized under the laws of the State
1156 or the State of New York or a national banking association. The fees and expenses of a
1157 Trustee must be borne by the owners of the Parity Bonds and not by the county. The
1158 bank or trust company acting as a Trustee may be removed at any time and a successor
1159 Trustee may be appointed by the registered owners of a majority in principal amount of
1160 the outstanding Parity Bonds, by an instrument or concurrent instruments in writing
1161 signed and acknowledged by such registered owners or by their attorneys-in-fact duly
1162 authorized.

1163 The Trustee appointed in the manner herein provided, and each successor thereto,
1164 is hereby declared to be a trustee for the registered owners of all the Parity Bonds and is
1165 empowered to exercise all rights and powers herein conferred on the Trustee.

1166 **B. Certain Rights and Obligations of Trustee.** The Trustee will not be
1167 responsible for recitals in any ordinance or in the Parity Bonds, or for the validity of any
1168 Parity Bonds, nor will the Trustee be responsible for insuring the System or for collecting
1169 any insurance money or for the title to any property of the System.

1170 The Trustee will be protected in acting upon any notice, request, consent,
1171 certificate, order, affidavit, letter or other paper or document believed by it to be genuine
1172 and correct and to have been signed, sent or delivered by the person or persons by whom
1173 such paper or document is purported to have been signed, sent or delivered.

1174 The Trustee will not be answerable for any neglect or default of any person, firm
1175 or corporation employed and selected by it with reasonable care.

1176 The Trustee will permit the owner of any Parity Bonds to inspect any instrument,
1177 opinion or certificate filed with the Trustee by the county or by any person, firm or
1178 corporation acting for the county.

1179 The Trustee will not be bound to recognize any person as an owner of any Parity
1180 Bond until his, her or its title thereto, if disputed, has been established to the Trustee's
1181 reasonable satisfaction.

1182 The Trustee may consult with counsel, and the opinion of such counsel will be
1183 full and complete authorization and protection in respect of any action taken or suffered
1184 by it hereunder in good faith and in accordance with the opinion of such counsel.

1185 SECTION 22. Events of Default for Parity Bonds; Powers and Duties of
1186 **Trustee.**

1187 A. **Events of Default.** The occurrence of one or more of the following is an
1188 "event of default" with respect to any Bonds issued as Parity Bonds under this ordinance:

1189 1. default in the payment of principal of or interest on any Parity
1190 Bonds when the same becomes due; or

1191 2. default in the observance or performance of any of the other
1192 covenants applicable to Parity Bonds herein contained, and the default continues for a
1193 period of six months after written notice to the county from the registered owner of a
1194 Parity Bond specifying the default and requiring that it be remedied.

1195 B. **Powers of Trustee.** The Trustee in its own name and on behalf of and for
1196 the benefit and protection of the registered owners of all Parity Bonds may proceed, and

1197 upon the written request of the registered owners of not less than 25% in principal
1198 amount of the Parity Bonds then outstanding must proceed, to protect and enforce any
1199 rights of the Trustee and, to the full extent that registered owners of Parity Bonds
1200 themselves might do, the rights of such registered owners of Parity Bonds under the laws
1201 of the State or under the ordinances providing for the issuance of the Parity Bonds, by
1202 such suits, actions or proceedings in equity or at law, either for the specific performance
1203 of any covenant contained herein or in aid or execution of any power herein granted or
1204 for any proper legal or equitable remedy as the Trustee may deem most effectual to
1205 protect and enforce the rights of the Trustee and the registered owners of Parity Bonds.
1206 In the enforcement of any such rights under this or any other ordinance of the county, the
1207 Trustee is entitled to sue for, to enforce payment of and to receive any and all amounts
1208 due from the county for principal, interest or otherwise under any of the provisions of
1209 such ordinance, with interest on overdue payments at the rate or rates set forth in such
1210 Parity Bond or Parity Bonds, together with any and all costs and expenses of collection
1211 and of all proceedings taken by the Trustee without prejudice to any other right or
1212 remedy of the Trustee or of the owners of the Parity Bonds.

1213 If default is made in the payment of principal of any Parity Bond and the default
1214 continues for a period of 30 days, the Trustee may not accelerate payment of any Parity
1215 Bonds but may proceed to enforce payment thereof as hereinabove provided. If, in the
1216 sole judgment of the Trustee, any default is cured and the Trustee furnishes the county a
1217 certificate so stating, that default is conclusively deemed to be cured, and the county,
1218 Trustee and owners of Parity Bonds will be restored to the same rights and position they
1219 would have held if no event of default had occurred.

1220 C. **Actions in Name of Trustee.** All rights of action under this ordinance or
1221 upon any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee
1222 without the possession of any Parity Bonds or the production thereof in the trial or other
1223 proceedings relative thereto, and any such suit, action or proceeding instituted by the
1224 Trustee will be brought in its name for the ratable benefit of the registered owners of all
1225 Parity Bonds, subject to the provisions of this ordinance.

1226 D. **Procedure by Bond Owners.** No owner of any one or more of the Parity
1227 Bonds has any right to institute any action, suit or proceedings at law or in equity for the
1228 enforcement of the same, unless an event of default occurs and unless no Trustee is
1229 appointed as herein provided, but any remedy herein authorized to be exercised by a
1230 Trustee may be exercised individually by any registered owner of a Parity Bond, in his,
1231 her or its own name and on his, her or its own behalf or for the benefit of all registered
1232 owners of Parity Bonds, if no Trustee is appointed, or with the consent of the Trustee if
1233 such Trustee has been appointed.

1234 E. **Application of Money Collected by Trustee.** Any money collected by
1235 the Trustee at any time pursuant to this section will be applied, first, to the payment of its
1236 charges, expenses, advances and compensation and the charges, expenses, counsel fees,
1237 disbursements and compensation of its agents and attorneys, and, second, toward
1238 payment of the amount then due and unpaid upon the Parity Bonds, ratably and without
1239 preference or priority of any kind not expressly provided in this ordinance, according to
1240 the amounts due and payable upon the Parity Bonds at the date fixed by the Trustee for
1241 the distribution of such money, upon presentation of the several Parity Bonds and upon

1242 causing such payment to be stamped thereon, if partly paid, and upon surrender thereof, if
1243 fully paid.

1244 SECTION 23. Future Parity Bonds. The county further covenants and agrees
1245 with the Registered Owner of each of the Bonds issued as Parity Bonds for as long as the
1246 same are outstanding that it will not create any special fund for the payment of the
1247 principal of and interest on any revenue bonds that will rank on a parity with or have any
1248 priority over the payments out of Revenue of the System required to be made into the
1249 Parity Bond Fund and the accounts therein to pay or secure the payment of the
1250 outstanding Parity Bonds. The county reserves the right for: (i) the purpose of acquiring,
1251 constructing and installing any portion of the Comprehensive Plan; (ii) the purpose of
1252 acquiring, constructing and installing any necessary renewals or replacements of the
1253 System; or (iii) the purpose of refunding or purchasing and retiring at or prior to their
1254 maturity any outstanding obligations of the county payable from Revenue of the System,
1255 to issue additional or refunding Parity Bonds (including Variable Rate Parity Bonds) and
1256 to make payments into the Parity Bond Fund out of the Revenue Fund that will be
1257 sufficient to pay the principal of and interest on those additional or refunding Parity
1258 Bonds and to maintain required reserves, such payments out of the Revenue Fund to rank
1259 equally with the payments out of the Revenue Fund required to be made into the Parity
1260 Bond Fund and the accounts therein for the payment of the principal of and interest on
1261 outstanding Parity Bonds, but only upon compliance with the following conditions:

1262 A. At the time of the issuance of any Future Parity Bonds there is no
1263 deficiency in the Parity Bond Fund or any account therein.

1264 B. Each ordinance providing for the issuance of any Future Parity Bonds that
1265 are refunding bonds must require that all money held in any fund or account of the county
1266 created for the purpose of paying the principal of and interest on the bonds being
1267 refunded either be used to pay the principal of and interest on such bonds or be
1268 transferred or paid into the Parity Bond Fund.

1269 C. Each ordinance providing for the issuance of Future Parity Bonds must
1270 provide for the payment of the principal thereof and interest thereon out of the Parity
1271 Bond Fund. The Future Parity Bonds may bear such date of issue, interest payment
1272 dates, and principal payment dates, and may mature in such year or years as the council
1273 provides. Each such ordinance will further provide that upon the issuance of any Future
1274 Parity Bonds, the county will pay into the Parity Bond Reserve Account an amount that
1275 will be sufficient to satisfy the Reserve Requirement then applicable or provide Qualified
1276 Insurance or a Qualified Letter of Credit to satisfy the Reserve Requirement.

1277 D. At the time of the issuance of any Future Parity Bonds, the county must
1278 have on file a certificate from a Professional Utility Consultant (the certificate may not be
1279 dated more than 90 days prior to the date of delivery of such Future Parity Bonds)
1280 showing that in his or her professional opinion the "annual income available for debt
1281 service on Parity Bonds" for each year during the life of such Future Parity Bonds shall
1282 be at least equal to 1.25 times the amount required in each such year to pay the Annual
1283 Parity Debt Service for such year. Such "annual income available for debt service on
1284 Parity Bonds" will be determined as follows for each year following the proposed date of
1285 issue of such Future Parity Bonds:

1286 1. The Revenue of the System will be determined for a period of any
1287 12 consecutive months out of the 18 months immediately preceding the delivery of the
1288 Future Parity Bonds being issued.

1289 2. Such revenue may be adjusted to give effect on a 12-month basis
1290 to the rates in effect on the date of such certificate.

1291 3. If there were any Customers added to the System during such 12-
1292 month period or thereafter and prior to the date of the Professional Utility Consultant's
1293 certificate, such revenue may be further adjusted on the basis that added Customers were
1294 Customers of the System during the entire 12-month period.

1295 4. There will be deducted from such revenue the amount expended
1296 for Operating and Maintenance Expenses during such period.

1297 5. For each year following the proposed date of issuance of such
1298 Future Parity Bonds the Professional Utility Consultant may add to the annual revenue
1299 determined in subsection D.1. through 4. of this section an estimate of the income to be
1300 received in each such year from the investment of money in the Parity Bond Fund and
1301 any account therein, and the Construction Account, which will be determined by and in
1302 the sole discretion of a firm of nationally recognized financial consultants selected by the
1303 county.

1304 6. Beginning with the second year following the proposed date of
1305 issue of such Future Parity Bonds and for each year thereafter, the Professional Utility
1306 Consultant may add to the annual revenue determined in subsection D.1. through 5. of
1307 this section his or her estimate of any additional annual revenue to be received from
1308 anticipated growth in the number of Customers within the area served by the System on

1309 the date of such certificate, after deducting therefrom any increased Operating and
1310 Maintenance Expenses estimated to be incurred as a result of such growth; provided, that
1311 the Professional Utility Consultant's estimate of the number of Customers served may not
1312 assume growth of more than 1/4 of 1% over and above the number of Customers served
1313 or estimated to be served during the preceding year.

1314 7. If extensions of or additions to the System are in the process of
1315 construction at the time of such certificate, or if the proceeds of the Future Parity Bonds
1316 being issued are to be used to acquire or construct extensions of or additions to the
1317 System, there may be added to the annual net revenue as above determined any revenue
1318 not included in subsection D.1. through 6. of this section that will be derived from such
1319 additions and extensions after deducting therefrom the estimated additional Operating
1320 and Maintenance Expenses to be incurred as a result of such additions and extensions;
1321 provided, that such estimated annual revenue will be based upon 75% of any estimated
1322 Customer growth in the four years following the first full year in which such additional
1323 revenue is to be collected and thereafter the estimated Customer growth may not exceed
1324 1/4 of 1% per year over and above such reduced estimate.

1325 E. Instead of the certificate described in subsection D. of this section, the
1326 county may elect instead to have on file a certificate of the Finance Director
1327 demonstrating that during any 12 consecutive calendar months out of the immediately
1328 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount
1329 required to pay, in each year that such Future Parity Bonds would be outstanding, the
1330 Annual Parity Debt Service for such year.

1331 F. For the purpose of refunding at or prior to their maturity any outstanding
1332 Parity Bonds or any bonds or other obligations of the county payable from Revenue of
1333 the System, the county may at any time issue Future Parity Bonds without complying
1334 with the provisions of subsection D. or E. of this section; provided, that the county may
1335 not issue Future Parity Bonds for such purpose under this subsection F. unless the
1336 Finance Director certifies that upon the issuance of such Future Parity Bonds: (i) total
1337 debt service required for all Parity Bonds (including the refunding bonds and not
1338 including the bonds to be refunded thereby) will decrease; and (ii) the Annual Parity Debt
1339 Service for each year that any Parity Bonds (including the refunding bonds and not
1340 including the bonds to be refunded thereby) are then outstanding will not be increased by
1341 more than \$5,000 by reason of the issuance of such Future Parity Bonds.

1342 The principal amount of Future Parity Bonds issued pursuant to this subsection F.
1343 may include amounts necessary to pay the principal of the Parity Bonds or other
1344 obligations to be refunded, interest thereon to the date of payment or redemption thereof,
1345 any premium payable thereon upon such payment or redemption and the costs of issuance
1346 of such Future Parity Bonds, and if a Payment Agreement has been provided with respect
1347 to the obligations to be refunded, may include amounts necessary to make the payment of
1348 all amounts, if any, due and payable by the county under such Payment Agreement. The
1349 proceeds of such Future Parity Bonds will be held and applied in such manner as is
1350 provided for in the ordinance authorizing the issuance of the Parity Bonds or other
1351 obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the
1352 Parity Bonds or other obligations to be refunded thereby will be deemed no longer
1353 outstanding in accordance with the ordinance authorizing their issuance.

1354 G. For so long as the county's Junior Lien Variable Rate Demand Sewer
1355 Revenue Bond, Series 2012, remains outstanding, at the time of issuing any Future Parity
1356 Bonds, the Finance Director shall provide to the registered owner of that bond a debt
1357 service coverage certificate as required by Ordinance 17495, Section 5.4.(a), of the
1358 county authorizing the issuance of that bond.

1359 H. Nothing contained in this ordinance prevents the county from issuing
1360 revenue bonds that are a charge on Revenue of the System and money in the Revenue
1361 Fund junior or inferior to the payments required to be made therefrom into the Parity
1362 Bond Fund and any account therein, nor shall anything herein contained prevent the
1363 county from issuing Future Parity Bonds to refund maturing Parity Bonds for the
1364 payment of which money is not otherwise available.

1365 **SECTION 24. Additional Parity Lien Obligations.** The county expressly
1366 reserves the right to issue additional Parity Bonds in accordance with the ordinances,
1367 including this ordinance, authorizing the Parity Bonds. Subject to this reservation of
1368 rights with respect to Parity Bonds, the county hereby covenants and agrees with the
1369 Registered Owner of each of the Bonds issued as Parity Lien Obligations, so long as such
1370 Bonds are outstanding, that it will not issue or incur any other additional indebtedness
1371 secured in whole or in part by a lien on Revenue of the System superior to the lien of
1372 such Bonds issued as Parity Lien Obligations.

1373 A. **Parity Lien Obligations Other Than Refunding Bonds.** The county
1374 expressly reserves the right to issue or enter into additional Parity Lien Obligations
1375 (including Variable Rate Parity Lien Obligations as defined herein) for any lawful

1376 purpose of the county related to the System if at the time of issuing or entering into such

1377 Parity Lien Obligations:

1378 1. There is no deficiency in the Parity Bond Fund, the Parity Lien
1379 Obligation Bond Fund or any other bond fund or account securing Parity Lien
1380 Obligations.

1381 2. The county has on file a certificate from a Professional Utility
1382 Consultant (the certificate may not be dated more than 90 days prior to the date of
1383 delivery of such Parity Lien Obligations) showing that in his or her professional opinion,
1384 the "annual income available for debt service on Parity Bonds and Parity Lien
1385 Obligations" for each year during the life of such Parity Lien Obligations is at least equal
1386 to 1.25 times the amount required to pay Annual Debt Service in each such year. Such
1387 "annual income available for debt service on Parity Bonds and Parity Lien Obligations"
1388 shall be determined as follows for each year following the proposed date of issue of such
1389 Parity Lien Obligations:

1390 a. The Revenue of the System will be determined for a period
1391 of any 12 consecutive months out of the 18 months immediately preceding the delivery of
1392 the Parity Lien Obligations being issued.

1393 b. Such revenue may be adjusted to give effect on a 12-month
1394 basis to the rates in effect on the date of such certificate.

1395 c. If there were any Customers added to the System during
1396 such 12-month period or thereafter and prior to the date of the Professional Utility
1397 Consultant's certificate, such revenue may be further adjusted on the basis that added
1398 Customers were Customers of the System during the entire 12-month period.

1399 d. There will be deducted from such revenue the amount
1400 expended for Operating and Maintenance Expenses during such period.

1401 e. For each year following the proposed date of issuance of
1402 such Parity Lien Obligations the Professional Utility Consultant may add to the annual
1403 revenue determined in clauses a through d of this paragraph 2 an estimate of the income
1404 to be received in each such year from the investment of money in the Parity Bond Fund,
1405 the Parity Lien Obligation Bond Fund and the Construction Account, which will be
1406 determined by and in the sole discretion of a firm of nationally recognized financial
1407 consultants selected by the county.

1408 f. Beginning with the second year following the proposed
1409 date of issue of such Parity Lien Obligations and for each year thereafter the Professional
1410 Utility Consultant may add to the annual revenue determined in clauses a through e of
1411 this paragraph 2 his or her estimate of any additional annual revenue to be received from
1412 anticipated growth in the number of Customers within the area served by the System on
1413 the date of such certificate, after deducting therefrom any increased Operating and
1414 Maintenance Expenses estimated to be incurred as a result of such growth; provided, that
1415 the Professional Utility Consultant's estimate of the number of customers served may
1416 shall not assume a growth of more than 1/4 of 1% over and above the number of
1417 customers served or estimated to be served during the preceding year.

1418 g. If extensions of or additions to the System are in the
1419 process of construction at the time of such certificate, or if the proceeds of the Parity Lien
1420 Obligations being issued are to be used to acquire or construct extensions of or additions
1421 to the System, there may be added to the annual net revenue as above determined any

1422 revenue not included in clauses a through f of this paragraph 2 that will be derived from
1423 such additions and extensions after deducting therefrom the estimated additional
1424 Operating and Maintenance Expenses to be incurred as a result of such additions and
1425 extensions; provided, that such estimated annual revenue must be based upon 75% of any
1426 estimated Customer growth in the four years following the first full year in which such
1427 additional revenue is to be collected and thereafter the estimated Customer growth may
1428 not exceed 1/4 of 1% per year over and above such reduced estimate.

1429 3. Instead of the certificate described in subsection A.2. of this
1430 section, the county may elect to have on file a certificate of the Finance Director
1431 demonstrating that during any 12 consecutive calendar months out of the immediately
1432 preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount
1433 required to pay, in each year that such Parity Lien Obligations would be outstanding, the
1434 Annual Debt Service for such year.

1435 B. **Parity Lien Obligations That Are Refunding Bonds.**

1436 1. The county may at any time, for the purpose of refunding at or
1437 prior to their maturity any outstanding Parity Lien Obligations, Parity Bonds, or any
1438 bonds or other obligations of the county payable from Revenue of the System, issue
1439 additional Parity Lien Obligations without complying with the provisions of subsection
1440 A.2. and 3. of this section if there is filed with the clerk of the council a certificate of the
1441 Finance Director stating that upon the issuance of such additional Parity Lien
1442 Obligations: (i) total debt service on all Parity Bonds and Parity Lien Obligations
1443 (including the refunding bonds but not including the bonds to be refunded thereby) will
1444 decrease; and (ii) the Annual Debt Service for each year that any Parity Bonds and any

1445 Parity Lien Obligations (including the refunding bonds but not including the bonds to be
1446 refunded thereby) are then outstanding will not be increased by more than \$5,000 by
1447 reason of the issuance of such additional Parity Lien Obligations.

1448 2. The principal amount of such Parity Lien Obligations may include
1449 amounts necessary to pay the principal of the bonds or other obligations to be refunded,
1450 interest thereon to the date of payment or redemption thereof and any premium payable
1451 thereon upon such payment or redemption and the costs of issuance of such Parity Lien
1452 Obligations and, if a Payment Agreement has been provided with respect to the
1453 obligations to be refunded, may include amounts necessary to make the payment of all
1454 amounts, if any, due and payable by the county under such Payment Agreement. The
1455 proceeds of such Parity Lien Obligations will be held and applied as is provided in the
1456 ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the
1457 delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded
1458 thereby will be deemed no longer outstanding in accordance with the ordinance
1459 authorizing their issuance.

1460 3. At the election of the county, the provisions of this subsection B.
1461 need not apply to the refunding at one time of all the Parity Lien Obligations then
1462 outstanding.

1463 4. Nothing contained in this ordinance prohibits or prevents, or will
1464 be deemed or construed to prohibit or prevent, the county from issuing Parity Lien
1465 Obligations to refund maturing Parity Lien Obligations of the county for the payment of
1466 which money is not otherwise available.

1467 C. **Additional Debt Service Coverage Certificate.** For so long as the
1468 county's Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, remains
1469 outstanding, at the time of issuing any additional Parity Lien Obligations, the Finance
1470 Director shall provide to the registered owner of that bond a debt service coverage
1471 certificate as required by Ordinance 17495, Section 5.4.(a), of the county authorizing the
1472 issuance of that bond.

1473 D. **Subordinate Obligations.** Nothing in this ordinance prohibits, or will be
1474 deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or
1475 other evidences of indebtedness for any purpose of the county related to the System
1476 payable in whole or in part from Revenue of the System and secured by a lien on
1477 Revenue of the System that is junior, subordinate and inferior to the lien of any Bonds
1478 issued as Parity Lien Obligations.

1479 SECTION 25. Reimbursement Obligations. If the county elects to secure any
1480 Bonds with a Credit Facility, the county may contract with the entity providing the Credit
1481 Facility that the reimbursement obligation, if any, to that entity will be a Parity Bond or
1482 Parity Lien Obligation, as applicable.

1483 SECTION 26. Payment Agreements.

1484 A. **General.** To the extent and for the purposes permitted from time to time
1485 by chapter 39.96 RCW, as it may be amended, and other applicable provisions of State
1486 law, the county may enter into Payment Agreements, subject to the conditions set forth in
1487 this section and in other provisions of this ordinance.

1488 B. **Manner and Schedule of Payments.** Each Payment Agreement must set
1489 forth the manner in which the Payment Agreement Payments and the Payment
1490 Agreement Receipts will be calculated and a schedule of payment dates.

1491 C. **Authorizing Ordinance.** Prior to entering into a Payment Agreement, the
1492 council must pass an ordinance authorizing such agreement and setting forth such
1493 provisions as the county deems necessary or desirable and are not inconsistent with the
1494 provisions of this ordinance.

1495 D. **Calculation of Payment Agreement Payments and Debt Service on**
1496 **Bonds with Respect to which a Payment Agreement is in Force.** It is the intent of the
1497 county, for purposes of Section 17, 23 or 24 of this ordinance, that debt service on Parity
1498 Bonds with respect to which a Parity Payment Agreement is in force will be calculated to
1499 reflect the net economic effect on the county intended to be produced by the terms of
1500 such Parity Bonds and Parity Payment Agreement and that debt service on Parity Lien
1501 Obligation Bonds with respect to which a Parity Lien Obligation Payment Agreement is
1502 in force will be calculated to reflect the net economic effect on the county intended to be
1503 produced by the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation
1504 Payment Agreement. In calculating such amounts, the county will be guided by the
1505 following requirements.

1506 1. The amount of interest deemed to be payable on any Bonds with
1507 respect to which a Payment Agreement is in force will be an amount equal to the amount
1508 of interest that would be payable at the rate or rates stated in those Bonds plus Payment
1509 Agreement Payments minus Payment Agreement Receipts.

1510 2. For any period during which Payment Agreement Payments are
1511 not taken into account in calculating interest on any outstanding Bonds because the
1512 Payment Agreement is not then related to any outstanding Bonds, Payment Agreement
1513 Payments on that Parity Payment Agreement will be calculated based upon the following
1514 assumptions:

1515 a. **County Obligated to Make Payments Based on Fixed**
1516 **Rate.** If the county is obligated to make Payment Agreement Payments based on a fixed
1517 rate and the Qualified Counterparty is obligated to make payments based on a variable
1518 rate index, payments by the county will be based on the assumed fixed payor rate, and
1519 payments by the Qualified Counterparty will be based on a rate equal to the average rate
1520 determined by the variable rate index specified by the Payment Agreement during the
1521 fiscal quarter preceding the quarter in which the calculation is made; and

1522 b. **County Obligated to Make Payments Based on Variable**
1523 **Rate Index.** If the county is obligated to make Payment Agreement Payments based on a
1524 variable rate index and the Qualified Counterparty is obligated to make payments based
1525 on a fixed rate, payments by the county will be based on a rate equal to the average rate
1526 determined by the variable rate index specified by the Payment Agreement during the
1527 fiscal quarter preceding the quarter in which the calculation is made, and the Qualified
1528 Counterparty will make payments based on the fixed rate specified by the Payment
1529 Agreement.

1530 E. **Prior Notice to Rating Agencies.** The county will give notice to Moody's
1531 and S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement

1532 and will give notice to Fitch, Moody's and S&P 30 days prior to the date it intends to
1533 enter into a Parity Lien Obligation Payment Agreement.

1534 SECTION 27. Sale of Bonds.

1535 A. **Determination by Finance Director.** The Finance Director shall
1536 determine, in consultation with the county's financial advisors, the principal amount of
1537 each series of the Bonds, whether each series of Bonds will be structured as Tax-Exempt
1538 Bonds, Tax-Benefited Bonds or otherwise, and whether each series of Bonds will be sold
1539 by negotiated sale or competitive bid and by current or future delivery. The Finance
1540 Director is authorized to designate any or all of the Bonds as "green bonds" or any similar
1541 designation indicating the purpose for which the proceeds of the Bonds are to be used.
1542 The authority to sell any of the Bonds authorized hereunder will terminate two years from
1543 the effective date of this ordinance. The authority to sell any Project Bonds as defined in
1544 and pursuant to Ordinance 17599 of the county, as amended by Ordinance 17958 of the
1545 county, will terminate on the effective date of this ordinance.

1546 B. **Satisfaction of Additional Bonds Tests.** The Finance Director will
1547 provide or cause to be provided by a Professional Utility Consultant any certifications
1548 required to comply with the tests established in prior ordinances of the county for the
1549 issuance of additional Parity Bonds and additional Parity Lien Obligations, as applicable.
1550 In each Sale Motion for a series of Bonds, the council shall make findings regarding the
1551 satisfaction of the additional bonds tests applicable to that series of Bonds.

1552 For so long as the county's Junior Lien Variable Rate Demand Sewer Revenue
1553 Bond, Series 2012, remains outstanding, at the time of issuing any Bonds hereunder, the
1554 Finance Director shall provide to the registered owner of that bond a debt service

1555 coverage certificate as required by Ordinance 17495, Section 5.4.(a), of the county
1556 authorizing the issuance of that bond.

1557 C. **Procedure for Negotiated Sale.** If the Finance Director determines that
1558 any series of the Bonds will be sold by negotiated sale, the Finance Director shall, in
1559 accordance with applicable county procurement procedures, solicit one or more
1560 underwriting firms with which to negotiate the sale of the Bonds. The purchase contract
1561 for each series of the Bonds shall establish the year and series designation, date, principal
1562 amount, interest payment dates, interest rates, maturity schedule and redemption and
1563 bond insurance provisions of the Bonds. The bond purchase contract shall not be
1564 executed and delivered unless and until the council by a Sale Motion approves the bond
1565 purchase contract and ratifies and confirms the terms for the series of Bonds established
1566 therein.

1567 D. **Procedure for Sale by Competitive Bid.** If the Finance Director
1568 determines that any series of the Bonds will be sold by competitive bid, bids for the
1569 purchase of such Bonds will be received at such time or place and by such means as the
1570 Finance Director directs. The Finance Director is authorized to prepare an official notice
1571 of bond sale for such Bonds, establishing in such notice the year and series designation,
1572 date, principal amount, interest payment dates, maturity schedule and optional
1573 redemption and bond insurance provisions of the Bonds. The official notice of bond sale
1574 or an abridged form thereof may be published in such newspapers or financial journals as
1575 the county's financial advisors deem desirable or appropriate.

1576 Upon the date and time established for the receipt of bids for a series of the
1577 Bonds, the Finance Director or his designee will review the bids, cause the bids to be

1578 mathematically verified and report to the council regarding the bids received. Such bids
1579 will then be considered and acted upon by the council in an open public meeting. The
1580 council reserves the right to reject any and all bids for such Bonds. The council by a Sale
1581 Motion will approve the sale of such Bonds and ratify and confirm the year and series
1582 designation, date, principal amount, interest payment dates, interest rates, maturity
1583 schedule, redemption and bond insurance provisions and any other terms of such Bonds.

1584 **SECTION 28. Delivery of Bonds.** Following the sale of each series of the
1585 Bonds, the county will cause definitive Bonds to be prepared, executed and delivered in
1586 accordance with the provisions of this ordinance and in a form acceptable to DTC as
1587 initial depository for the Bonds, with the approving legal opinion of municipal bond
1588 counsel regarding the Bonds.

1589 **SECTION 29. Preliminary Official Statement; Official Statement.** The county
1590 authorizes and directs the Finance Director: (i) to review and approve the information
1591 contained in one or more preliminary official statements (each, a "Preliminary Official
1592 Statement") prepared in connection with the sale of each series of the Bonds; and (ii) for
1593 the sole purpose of the Bond purchasers' compliance with paragraph (b)(1) of Rule 15c2-
1594 12, to deem final that Preliminary Official Statement as of its date, except for the
1595 omission of information permitted to be omitted by Rule 15c2-12. After each
1596 Preliminary Official Statement has been reviewed and approved in accordance with the
1597 provisions of this section, the county hereby authorizes distribution of such Preliminary
1598 Official Statement to prospective purchasers of such series of Bonds.

1599 Following the sale of each series of the Bonds in accordance with Section 27 of
1600 this ordinance, the Finance Director is hereby authorized to review and approve on behalf

1601 of the county each final official statement with respect to such series of Bonds. The
1602 county shall cooperate with the purchaser of each series of Bonds to deliver or cause to
1603 be delivered, within seven business days after the date of the Sale Motion (or within such
1604 other period as may be required by applicable law) and in sufficient time to accompany
1605 any confirmation that requests payment from any customer of the purchaser, copies of the
1606 final official statement pertaining to such Bonds in sufficient quantity to comply with
1607 paragraph (b)(4) of Rule 15c2-12 and the rules of the MSRB.

1608 **SECTION 30. Undertaking to Provide Ongoing Disclosure.** If and to the
1609 extent required by paragraph (b)(5) of Rule 15c2-12, each Sale Motion will authorize an
1610 Undertaking for each series of the Bonds.

1611 **SECTION 31. General Authorization.** The appropriate county officials, agents
1612 and representatives are hereby authorized and directed to do everything necessary for the
1613 prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and
1614 application of the proceeds of the sale thereof.

1615 **SECTION 32. Investment of Funds and Accounts.** Money in the Parity Bond
1616 Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund
1617 and Construction Account may be invested in any investments permitted for funds of the
1618 county. Obligations purchased as an investment of money in the Revenue Fund, Parity
1619 Bond Fund, Parity Lien Obligation Bond Fund, and Construction Account and accounts
1620 or subaccounts therein will be deemed at all times to be a part of such respective fund,
1621 account or subaccount, and the income or interest earned, profits realized or losses
1622 suffered by a fund, account or subaccount due to the investment thereof will be retained
1623 in, credited or charged, as the case may be, to such fund or account.

1624 In computing the amount in any fund or account under the provisions of this
1625 ordinance, obligations purchased as an investment of money therein will be valued at the
1626 cost or market price thereof, whichever is lower, inclusive of accrued interest.

1627 **SECTION 33. Refunding or Defeasance of Bonds.** The county may issue
1628 refunding obligations pursuant to State law or use money available from any other lawful
1629 source to carry out a refunding or defeasance plan, which may include: (i) paying when
1630 due the principal of and interest on any or all of the Bonds ("the defeased Bonds"); (ii)
1631 redeeming the defeased Bonds prior to their maturity; and (iii) paying the costs of the
1632 refunding or defeasance. If the county sets aside in a special trust fund or escrow account
1633 irrevocably pledged to that redemption or defeasance ("the trust account"), money and/or
1634 Government Obligations maturing at a time or times and bearing interest in amounts
1635 sufficient to redeem, refund or defease the defeased Bonds in accordance with their
1636 terms, then all right and interest of the Owners of the defeased Bonds in the covenants of
1637 this ordinance and in the funds and accounts obligated to the payment of the defeased
1638 Bonds shall cease and become void. Thereafter, the Registered Owners of defeased
1639 Bonds shall have the right to receive payment of the principal of and premium, if any,
1640 and interest on the defeased Bonds solely from the trust account and the defeased Bonds
1641 shall be deemed no longer outstanding. In that event, the county may apply money
1642 remaining in any fund or account (other than the trust account) established for the
1643 payment or redemption of the defeased Bonds to any lawful purpose.

1644 Unless otherwise specified by the county in a refunding or defeasance plan, notice
1645 of refunding or defeasance shall be given, and selection of Bonds for any partial

1646 refunding or defeasance shall be conducted, in the manner prescribed in this ordinance
1647 for the redemption of Bonds.

1648 **SECTION 34. Supplemental Ordinances.**

1649 A. **Without Bondowner Consent.** The council from time to time and at any
1650 time may adopt an ordinance or ordinances supplemental to this ordinance which
1651 supplemental ordinance or ordinances thereafter will become a part of this ordinance,
1652 without the consent of owners of any of the Bonds, for any one or more of the following
1653 purposes:

1654 1. To add to the covenants and agreements of the county in this
1655 ordinance such other covenants and agreements thereafter to be observed that will not
1656 adversely affect the interests of the registered owners of any Parity Bonds or Parity Lien
1657 Obligations, as applicable, or to surrender any right or power herein reserved to or
1658 conferred upon the county.

1659 2. To make such provisions for the purpose of curing any ambiguities
1660 or of curing, correcting or supplementing any defective provision contained in this
1661 ordinance or any ordinance authorizing Parity Bonds or Parity Lien Obligations in regard
1662 to matters or questions arising under such ordinances as the council may deem necessary
1663 or desirable and not inconsistent with such ordinances and that will not adversely affect
1664 the interest of the registered owners of Parity Bonds or Parity Lien Obligations, as
1665 applicable.

1666 B. **With Bondowner Consent.**

1667 1. From and after such time as no Parity Bonds designated as 2006
1668 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding,

1669 with the consent of the registered owners of not less than 51% in aggregate principal
1670 amount of all Parity Bonds at the time outstanding, the council may adopt an ordinance or
1671 ordinances supplemental hereto for the purpose of adding any provisions to or changing
1672 in any manner or eliminating any of the provisions of this ordinance or of any
1673 supplemental ordinance applicable to Parity Bonds, except as described in subsection
1674 B.3. of this section.

1675 2. From and after such time as no Parity Lien Obligations designated
1676 as Series 2008 Bonds or Series 2009 Bonds remain outstanding, with the consent of the
1677 registered owners of not less than 51% in aggregate principal amount of all Parity Lien
1678 Obligations at the time outstanding, the council may adopt an ordinance or ordinances
1679 supplemental hereto for the purpose of adding any provisions to or changing in any
1680 manner or eliminating any of the provisions of this ordinance or of any supplemental
1681 ordinance applicable to Parity Lien Obligations, except as described in subsection B.3. of
1682 this section.

1683 3. No supplemental ordinance entered into pursuant to this subsection
1684 B. may:

1685 a. Extend the fixed maturity of any Parity Bonds or Parity
1686 Lien Obligations, or reduce the rate of interest thereon, or extend the time of payments of
1687 interest from their due date, or reduce the amount of the principal thereof, or reduce any
1688 premium payable on the redemption thereof, without the consent of the registered owner
1689 of each bond so affected; or

1690 b. Reduce the aforesaid percentage of registered owners of
1691 Parity Bonds or Parity Lien Obligations required to approve any such supplemental
1692 ordinance, without the consent of the registered owners of all of such bonds.

1693 4. It is not necessary for the consent of registered owners of bonds
1694 under this subsection B. to approve the particular form of any proposed supplemental
1695 ordinance, but it is sufficient if such consent approves the substance thereof.

1696 SECTION 35. Ordinance a Contract; Severability. The covenants contained in
1697 this ordinance constitute a contract between the county and (i) the Registered Owners of
1698 each Bond, (ii) the Qualified Counterparty to any Payment Agreement entered into with
1699 respect to any Bonds and (iii) the provider of any Credit Facility, Qualified insurance or
1700 Qualified Letter of Credit with respect to any Bonds. If any court of competent
1701 jurisdiction determines that any covenant or agreement provided in this ordinance to be
1702 performed on the part of the county is contrary to law, then such covenant or agreement
1703 shall be null and void and shall be deemed separable from the remaining covenants and
1704 agreements of this ordinance and shall in no way affect the validity of the other
1705 provisions of this ordinance or of the Bonds.

1706 SECTION 36. Effective Date. This ordinance shall be effective 10 days after its
1707 enactment, in accordance with Article II of the county charter.
1708

Ordinance 18111 was introduced on 4/27/2015 and passed by the Metropolitan King
County Council on 9/21/2015, by the following vote:

Yes: 8 - Mr. Phillips, Mr. von Reichbauer, Mr. Gossett, Ms. Hague,
Mr. Dunn, Mr. McDermott, Mr. Dembowski and Mr. Upthegrove
No: 0
Excused: 1 - Ms. Lambert

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Phillips, Chair

ATTEST:



Anne Noris, Clerk of the Council

APPROVED this 30 day of SEPTEMBER 2015.



Dow Constantine, County Executive

RECEIVED
2015 OCT -1 AM 9:52
CLERK
KING COUNTY COUNCIL

Attachments: A. Parity Bonds, B. Parity Lien Obligations, C. Form of Parity Bond, D. Form of Parity
Lien Obligation, E. Table of Contents

ATTACHMENT A - 18111

PARITY BONDS

Series	Ordinance	Date of Issue	Original Principal	Outstanding Principal (as of 2/18/2015)
2006 Bonds	15385	5/16/2006	\$124,070,000	\$ 24,070,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000	127,035,000
2007 Bonds	15758	6/26/2007	250,000,000	3,585,000
2008 Bonds	16133	8/14/2008	350,000,000	5,550,000
2009 Bonds	16133	8/12/2009	250,000,000	215,480,000
2010 Bonds	16868	7/29/2010	334,365,000	315,985,000
2011 Bonds	16868	1/25/2011	175,000,000	168,495,000
2011B Bonds	17111	10/5/2011	494,270,000	408,615,000
2011C Bonds	17111	11/1/2011	32,445,000	32,445,000
2012 Bonds	17111	4/18/2012	104,445,000	104,445,000
2012B Bonds	17111	8/2/2012	64,260,000	64,260,000
2012C Bonds	17111	9/19/2012	65,415,000	65,415,000
2013A Bonds	17111	4/9/2013	122,895,000	117,560,000
2013B Bonds	17599	10/29/2013	74,930,000	68,135,000
2014A Bond	17599	7/8/2014	75,000,000	75,000,000
2014B Bonds	17599	8/12/2014	192,460,000	190,790,000
2015A Bonds	17599	2/18/15	474,025,000	474,025,000

ATTACHMENT B - 18111

PARITY LIEN OBLIGATIONS

Series	Ordinance	Date of Issue	Original Principal	Outstanding Principal (as of 2/18/2015)
2008 Bonds	15779	2/12/2008	\$236,950,000	\$216,540,000
2009 Bonds	16133	4/8/2009	300,000,000	35,135,000
2012 Bonds	17111	4/18/2012	68,395,000	67,755,000
2012B Bonds	17111	8/2/2012	41,725,000	41,725,000
2012C Bonds	17111	9/19/2012	53,405,000	53,405,000
2015A Bonds	17599	2/18/2015	247,825,000	247,825,000

**ATTACHMENT C
FORM OF PARITY BOND**

No. R- _____

\$ _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the County or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL** inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

SEWER REVENUE BOND, [YEAR], SERIES _____

Interest Rate:
_____ %

Maturity Date:

CUSIP No.:

Registered Owner: CEDE & CO.

Principal Amount: _____ AND NO/100 DOLLARS

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 the date of this bond, or the most recent date to which interest has been paid or duly provided for, until payment of this bond, at the Interest Rate specified, payable on _____, and semiannually thereafter on each succeeding _____ and _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as this bond is registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), principal of and premium, if any, and interest on this bond are payable in the manner set forth in the Blanket Issuer Letter of Representations by and between the County and DTC. When this bond is not registered in the name of the Securities Depository, interest on this bond is payable by electronic transfer on the interest payment date, or by check or draft of the fiscal agent of the State of Washington (as the same may be designated by the State of Washington from time to time, the "Bond Registrar") mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the County is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. When this bond is not registered in the

name of the Securities Depository, principal of and premium, if any, on this bond are payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest, options of redemption and date of maturity, in the aggregate principal amount of \$_____ (the "Bonds"), and is issued to provide funds necessary to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the County's sewer system (the "System").

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

The Bonds are subject to redemption as provided in the Bond Legislation.

The Bonds are special limited obligations of the County, 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 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 or any political subdivision thereof is pledged to the payment of this bond or the Bonds.

The County hereby covenants and agrees with the Registered Owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Legislation 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 Legislation to be paid into and maintained in the Parity Bond Fund, all within the times provided by the Bond Legislation.

The 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. The 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 Legislation. Reference to the Bond Legislation 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 Legislation 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 Legislation.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Legislation 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 and the Charter and ordinances of the County to exist and to have happened, been done and performed precedent to and in the issuance of this bond do exist and 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 the seal of the County to be impressed or imprinted hereon, all as of

_____.

KING COUNTY, WASHINGTON

By _____
King County Executive

ATTEST:

Clerk of the County Council

Date of Authentication: _____.

CERTIFICATE OF AUTHENTICATION

This is one of the fully registered Sewer Revenue Bonds, [Year], Series _____, of King County, Washington, dated _____, described in the within mentioned Bond Legislation.

WASHINGTON STATE FISCAL AGENT
as Bond Registrar

By _____
Authorized Signer

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 _____
or its successor, as Bond Registrar to transfer this 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.

**ATTACHMENT D
FORM OF PARITY LIEN OBLIGATION**

No. R- _____

\$ _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the County or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL** inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

**LIMITED TAX GENERAL OBLIGATION BOND
(PAYABLE FROM SEWER REVENUES), [YEAR], SERIES _____**

Interest Rate:
_____ %

Maturity Date:

CUSIP No.:

Registered Owner: CEDE & CO.

Principal Amount: _____ AND NO/100 DOLLARS

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 the date of this bond, or the most recent date to which interest has been paid or duly provided for, until payment of this bond, at the Interest Rate specified, payable on _____, and semiannually thereafter on each succeeding _____ and _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as this bond is registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), principal of and premium, if any, and interest on this bond are payable in the manner set forth in the Blanket Issuer Letter of Representations by and between the County and DTC. When this bond is not registered in the name of the Securities Depository, interest on this bond is payable by electronic transfer on the interest payment date, or by check or draft of the fiscal agent of the State of Washington (as the same may be designated by the State of Washington from time to time, the "Bond Registrar") mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the County is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to

the Record Date and at the sole expense of the Registered Owner. When this bond is not registered in the name of the Securities Depository, principal of and premium, if any, on this bond are payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest, options of redemption and date of maturity, in the aggregate principal amount of \$_____ (the "Bonds"), and is issued to provide funds necessary to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the County's sewer system (the "System").

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

The Bonds are subject to redemption as provided in the Bond Legislation.

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 Lien Obligation 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 Revenue of the System subject to Operating and Maintenance Expenses and junior, subordinate and inferior to the lien and charge on Revenue of the System 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 Legislation.

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 Legislation. Reference to the Bond Legislation 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 tax levies and revenues and other obligations of the County under the Bond Legislation 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 Legislation.

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 Legislation. Reference to the Bond Legislation 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.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Legislation 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 and the Charter and ordinances of the County to exist and to have happened, been done and performed precedent to and in the issuance of this bond do exist and 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 the seal of the County to be impressed or imprinted hereon, all as of

_____.

KING COUNTY, WASHINGTON

By _____
King County Executive

ATTEST:

Clerk of the County Council

Date of Authentication: _____.

CERTIFICATE OF AUTHENTICATION

This is one of the fully registered Limited Tax General Obligation Bonds (Payable from Sewer Revenues), [Year], Series _____, of King County, Washington, dated _____, described in the within mentioned Bond Legislation.

WASHINGTON STATE FISCAL AGENT
as Bond Registrar

By _____
Authorized Signer

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 _____
or its successor, as Bond Registrar to transfer this 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.