



King County

**Metropolitan King County Council
Budget & Fiscal Management Committee**

Agenda Item No.: 11

Date: September 28, 2011

Proposed No.: 2011-0379

Prepared By: Patrick Hamacher

STAFF REPORT

SUBJECT:

An ordinance authorizing \$100,000,000 in variable rate debt for the Wastewater Treatment Division to fund its capital program.

SUMMARY:

Proposed Ordinance 2011-0379 would provide for the issuance of \$100,000,000 in variable rate bonds to support the Wastewater Treatment Division (WTD) capital program. As the result of a competitive solicitation by the County's financial advisor and underwriter, Seattle Northwest Securities, these bonds will initially be held as a direct loan by U.S. Bank..

BACKGROUND:

The County's wastewater utility has a very large capital improvement program highlighted by the construction of the County's next regional wastewater treatment plant, Brightwater. This project alone will reach a total cost of approximately \$2 billion by the time of completion. In fact, Brightwater was formally opened just this past weekend.

The County has a policy that sets debt as the standard practice for funding these types of inter-generational projects. By using debt, the County is able to actively manage changes in the monthly sewer rate and capacity charge and allow the costs to be spread over the several generations of rate-payers who will use the wastewater system. The downside to the use of debt is the interest accrued by financing. One of the strategies the County employs to attempt to mitigate some of the interest rate risk is the use of variable rate financing. This method of financing allows the county to pay an interest rate closer to the market's determination of short-term borrowing as opposed to the higher rates associated with longer-term borrowing. WTD's outstanding debt service is included in Table 1.

Table 1: Outstanding WTD Debt

	<u>Original Principal</u>	<u>Outstanding Principal</u>
<u>Sewer Revenue Bonds</u>		
2001 Bonds	\$270,060,000	\$9,830,000
2002A Bonds	\$100,000,000	\$19,655,000
2002B Bonds	\$346,130,000	\$25,185,000
2003A Bonds	\$96,470,000	\$90,155,000
2004A Bonds	\$185,000,000	\$149,940,000
2004B Bonds	\$61,760,000	\$55,080,000
2006 Bonds	\$124,070,000	\$124,070,000
2006 (2nd) Bonds	\$193,435,000	\$183,405,000
2007 Bonds	\$250,000,000	\$250,000,000
2008 Bonds	\$350,000,000	\$350,000,000
2009 Bonds	\$250,000,000	\$250,000,000
2010 Bonds	\$334,365,000	\$334,215,000
2011 Bonds	\$175,000,000	\$175,000,000
2011B Bonds	<u>\$494,270,000</u>	<u>\$494,270,000</u>
total	\$3,230,560,000	\$2,510,805,000
<u>Double-Barreled Bonds</u>		
Series 2005	\$200,000,000	\$200,000,000
Series 2008	\$236,950,000	\$230,515,000
Series 2009	<u>\$300,000,000</u>	<u>\$300,000,000</u>
total	\$736,950,000	\$730,515,000
<u>Variable Rate Debt</u>		
2001A	\$50,000,000	\$50,000,000
2001B	\$50,000,000	\$50,000,000
2010A	\$50,000,000	\$50,000,000
2010B	\$50,000,000	\$50,000,000
Commercial Paper, Ser. A	<u>\$100,000,000</u>	<u>\$100,000,000</u>
total	\$300,000,000	\$300,000,000
TOTAL	\$4,267,510,000	\$3,541,320,000

ANALYSIS:

The WTD financial policies have a goal that approximately 15% of outstanding debt should be in the form of variable rate financing. Proposed Ordinance 2011-0379 would authorize the issuance of \$100,000,000 of new variable rate debt financing. This issuance, together with another issue of variable rate debt planned in 2012, will bring the WTD utility up to the 15% threshold.

For the first three years of their 30-year term, these variable rate bonds will be issued as a direct loan from US Bank, backed by the revenues from the wastewater utility.

The County has a strong history of achieving interest rates savings from the use of variable rate bonds. The 2001 bond issue has averaged approximately 2% compared to

the most recent WTD long-term debt issue of just under 5%. Effective use of variable rate debt can lead to significant savings.

REASONABLENESS:

Proposed Ordinance 2011-0379 is consistent with the WTD financial policies on variable rate financing and was planned for as part of the 2012 rate-setting process. As such, adoption of this ordinance would constitute a reasonable policy decision.

INVITED:

Dwight Dively, Director, Office of Performance Strategy and Budget
Ken Guy, Director, Finance and Business Operations Division (FBOD)
Nigel Lewis, Senior Debt Analyst, Treasury Section, FBOD
Rob Shelley, Financial Advisor, Seattle Northwest Securities
David Thompson, Bond Counsel, K&L Gates

ATTACHMENTS:

1. Proposed Ordinance 2011-0379
2. Transmittal Letter dated September 9, 2011

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KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

September 27, 2011

Ordinance

Proposed No. 2011-0379.1

Sponsors Patterson

1 AN ORDINANCE authorizing the issuance and sale of
 2 junior lien variable rate demand sewer revenue bonds in the
 3 principal amount of \$100,000,000 to finance capital
 4 improvements to the county's sewer system; authorizing the
 5 form, terms, maturity, and interest rate modes for the
 6 bonds; authorizing the covenants and conditions under
 7 which the bonds will be issued; and approving an
 8 agreement to sell the bonds to U.S. Bank National
 9 Association.

10 PREAMBLE:

11 The county owns and operates facilities for conveying and treating sewage
 12 and controlling combined sewer overflows, including but not limited to
 13 wastewater treatment plants, interceptor and trunk sewers, pumping
 14 stations, regulator stations, outfall sewers, storm sewers to divert
 15 stormwater from sanitary sewers, lands for application of biosolids,
 16 property rights, and buildings and other structures (collectively the "Sewer
 17 System" or the "System"), all in accordance with a comprehensive plan for
 18 metropolitan water pollution abatement under the authority of chapters
 19 36.56 and 35.58 of the Revised Code of Washington ("RCW").

20 Long term service agreements with participating municipalities and other
 21 entities (the "Participants") obligate the county to treat and dispose of
 22 sewage collected by the Participants. The Participants must pay the costs
 23 of such services including debt service on bonds payable from sewer
 24 revenues, including the bonds authorized herein, and other indebtedness
 25 payable from and secured by sewer revenues. Comparable rates and
 26 charges have been established for customers who deliver sewage to the
 27 System but are not subject to a contract with the county for such service.
 28 In accordance with RCW 35.58.200(3), the county has declared that the
 29 health, safety and welfare of people within the metropolitan area require
 30 that certain Participants discharge sewage collected by those Participants
 31 into facilities of the System.
 32 The county has issued the following series of sewer revenue bonds with a
 33 senior lien on revenues of the Sewer System (the "Parity Bonds"):

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (As of 6/1/2011)
2001 Bonds	14225	11/28/2001	\$270,060,000	\$179,830,000
2002A Bonds	14406	8/14/2002	100,000,000	94,960,000
2002B Bonds	14406	10/03/2002	346,130,000	202,775,000
2003A Bonds	14406	4/24/2003	96,470,000	90,155,000
2004A Bonds	14753	3/18/2004	185,000,000	185,000,000

Ordinance

2004B Bonds	14753	3/18/2004	61,760,000	55,080,000
2006 Bonds	15385	5/16/2006	124,070,000	124,070,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000	183,405,000
2007 Bonds	15758	6/26/2007	250,000,000	250,000,000
2008 Bonds	16133	8/14/2008	350,000,000	350,000,000
2009 Bonds	16133	8/12/2009	250,000,000	250,000,000
2010 Bonds	16868	7/29/2010	334,365,000	334,215,000
2011 Bonds	16868	1/25/2011	175,000,000	175,000,000

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

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (As of 6/1/2011)
Series 2005	15033	4/21/2005	\$ 200,000,000	\$ 200,000,000
Series 2008	15779	2/12/2008	236,950,000	227,885,000
Series 2009	16133	4/8/2009	300,000,000	300,000,000

38 The county has issued the following series of sewer revenue bonds with a
 39 lien on revenues of the Sewer System junior and subordinate to the lien
 40 thereon of the Parity Bonds and the Parity Lien Obligations (the "Junior
 41 Lien Obligations"):

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (As of 6/1/2011)
Series 2001A	14171, 16719	4/15/2001	\$ 50,000,000	\$ 50,000,000
Series 2001B	14172, 16720	4/15/2001	50,000,000	50,000,000

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

Designation	Ordinance	Date of Issue	Original Principal	Outstanding Principal (As of 6/1/2011)
Series 2010A	16721	1/21/2010	\$ 50,000,000	\$ 50,000,000
Series 2010B	16722	1/21/2010	50,000,000	50,000,000

47 The county has issued its Sewer Revenue Anticipation Notes, Commercial
 48 Paper Series A, in the aggregate principal amount of \$100,000,000 at any
 49 time outstanding (the "Commercial Paper Notes"), with a lien on revenues
 50 of the Sewer System junior and subordinate to the lien thereon of the
 51 Parity Bonds, the Parity Lien Obligations, the Junior Lien Obligations and
 52 the Multi-Modal LTGO/Sewer Revenue Bonds, pursuant to Ordinance
 53 12057, as amended.

54 The ordinances authorizing the issuance of the currently outstanding
55 obligations of the System permit additional Junior Lien Obligations to be
56 issued on the terms and conditions set forth in the ordinances authorizing
57 the currently outstanding Junior Lien Obligations. The county wishes to
58 issue not to exceed \$100,000,000 in additional Junior Lien Obligations
59 (the "Bonds") as provided in this ordinance. The county has received an
60 offer from U.S. Bank National Association ("U.S. Bank") to purchase the
61 Bonds on the terms set forth in this ordinance and in its proposed
62 bondholder's agreement, and the council wishes to accept U.S. Bank's
63 offer and approve the bondholder's agreement, as provided in this
64 ordinance.

65 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

66 **ARTICLE I**

67 **DEFINITIONS AND INTERPRETATION**

68 SECTION 1.1. **Certain Definitions.** As used in this ordinance, the following
69 terms and phrases shall have the meanings set forth in this Section unless the context
70 clearly indicates that another meaning is intended (singular definitions herein shall be
71 deemed to include the plural thereof and vice versa):

72 "**Account**" means each Remarketing Proceeds Account, County Purchase
73 Account and Liquidity Facility Purchase Account established within the Purchase Fund.

74 "**Accreted Value**" means with respect to any Capital Appreciation Bonds, as of
75 any date of calculation, the sum of the amounts set forth in the ordinance, resolution or
76 motion authorizing such bonds as the amounts representing the initial principal amount of

77 such bonds plus the interest accumulated, compounded and unpaid thereon as of the most
78 recent compounding date, as provided in the ordinance, resolution or motion authorizing
79 the issuance of such bonds; provided that if such calculation is not made as of a
80 compounding date, such amount shall be determined by straight-line interpolation as of
81 the immediately preceding and the immediately succeeding compounding dates.

82 **"Additional Junior Lien Obligations"** means those revenue bonds or other
83 revenue obligations that may be issued by the county after the issuance of the Bonds with
84 a lien on Revenue of the System equal to the lien thereon of the Junior Lien Obligations.

85 **"Additional Subordinate Lien Obligations"** means those revenue bonds or other
86 revenue obligations that may be issued by the county with a lien on Revenue of the
87 System equal to the lien thereon of the Commercial Paper Notes and the Bank Note.

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

92 **"Alternate Credit Enhancement"** or **"Alternate Liquidity Facility"** means a
93 letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement
94 or other security or liquidity instrument, as the case may be, issued in accordance with
95 the terms hereof as a replacement or substitute for any Credit Enhancement or Liquidity
96 Facility, as applicable, then in effect.

97 **"Alternate Rate"** means, on any Rate Determination Date, for any Interest Rate
98 Mode, a rate per annum equal to 110% of (a) the SIFMA Municipal Swap Index of
99 Municipal Market Data most recently available as of the date of determination, or (b) if

100 such index is no longer available, or if the SIFMA Municipal Swap Index is no longer
101 published, the S&P Weekly High Grade Index (formerly the J.J. Kenny Index), or if
102 neither the SIFMA Municipal Swap Index nor the S&P Weekly High Grade Index is
103 published, the index determined to equal the prevailing rate determined by the
104 Remarketing Agent for tax-exempt state and local government bonds meeting criteria
105 determined in good faith by the Remarketing Agent to be comparable under the
106 circumstances to the criteria used by the Securities Industry and Financial Markets
107 Association to determine the SIFMA Municipal Swap Index just prior to when the
108 Securities and Financial Markets Association stopped publishing the SIFMA Municipal
109 Swap Index. The Registrar shall make the determinations required by this definition,
110 upon notification from the county, if there is no Remarketing Agent, if the Remarketing
111 Agent fails to make any such determination or if the Remarketing Agent has suspended
112 its remarketing efforts in accordance with the Remarketing Agreement; provided,
113 however, that if neither the SIFMA Municipal Swap Index nor the S&P Weekly High
114 Grade Index is available, the county shall designate in writing the index for the Registrar
115 to use.

116 **"Annual Debt Service"** means, for designated obligations of the System, with
117 respect to any calendar year, the sum of the following:

118 (1) The interest on such designated obligations due (i) on all interest payment
119 dates (other than January 1) in such calendar year, and (ii) on January 1 of the next
120 succeeding year, plus any Payment Agreement Payments due on such dates in respect of
121 Payment Agreements for such obligations and minus any Payment Agreement Receipts
122 due in such period in respect of Payment Agreements for such obligations.

123 (i) For purposes of calculating the amounts required to pay interest on such
124 designated obligations, capitalized interest and accrued interest paid to the county upon
125 the issuance of such obligations, and Debt Service Offsets pledged to the payment of
126 such designated obligations will be excluded.

127 (ii) The amount of interest deemed to be payable on any such obligations
128 bearing interest at a variable rate shall be calculated on the assumption that the interest
129 rate on such obligations would be equal to the rate (the "assumed RBI rate") that is 90%
130 of the average Bond Buyer Revenue Bond Index or comparable index during the fiscal
131 quarter preceding the quarter in which the calculation is made; provided, however, that
132 for purposes of determining actual compliance in any past calendar year with the rate
133 covenants made in Section 5.1 of this ordinance, the actual amount of interest paid on any
134 issue of variable rate obligations shall be taken into account.

135 (2) The principal due (at maturity or upon the mandatory redemption of Term
136 Bonds prior to their maturity) for such designated obligations (i) on all principal payment
137 dates (other than January 1) of such calendar year and (ii) on January 1 of the next
138 succeeding year.

139 (3) An amount for assumed payments of principal of any of such designated
140 obligations that are Balloon Maturity Bonds calculated for the applicable calendar year
141 by amortizing the then outstanding principal amount of such obligations in accordance
142 with a maturity schedule not exceeding 30 years from the date of issuance of such
143 Balloon Maturity Bonds and resulting in approximately level debt service based on their
144 actual interest rates (if such obligations bear interest at fixed rates) or on the assumed

145 interest rate calculated as provided in Paragraph (1)(ii) of this definition (if such
146 obligations bear interest at a variable rate).

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

152 Notwithstanding the foregoing, debt service on bonds with respect to which a
153 Payment Agreement is in force shall be calculated by the county to reflect the net
154 economic effect of the terms of the bonds and the applicable Payment Agreement, in
155 accordance with the requirements set forth in the ordinances applicable to such bonds.

156 **"Applicable Factor"** means (i) during the Initial Period, 70% and (ii) during any
157 subsequent LIBOR Index Rate Period, 70%, or such other percentage as may be
158 designated in writing by the county as the Applicable Factor for that LIBOR Index Rate
159 Period pursuant to Section 2.9(i) hereof.

160 **"Applicable Spread"** means

161 (i) During the Initial Period, 57 basis points, which Applicable Spread is
162 subject to the maintenance of the ratings assigned to the unenhanced Junior Lien
163 Obligations (the "Ratings") by each Rating Agency. If any Rating changes, the
164 Applicable Spread will be the number of basis points associated with the new Rating, as
165 set forth in the following schedule:

Credit Rating

Applicable

			Spread
Fitch (to the extent that Fitch then maintains a Rating)	S&P (to the extent that S&P then maintains a Rating)	Moody's (to the extent that Moody's then maintains a Rating)	
A+ or higher	A+ or higher	A1 or higher	57
A	A	A2	72
A-	A-	A3	92
BBB+	BBB+	Baa1	117
Below BBB+	Below BBB+	Below Baa1	Default

166 If there is a split among the Ratings by the Rating Agencies, the lowest rating will prevail
 167 for purposes of determining the Applicable Spread. Any change in the Applicable Spread
 168 shall apply to the LIBOR Index Rate on which any Rating change occurs.

169 (ii) During any subsequent LIBOR Index Rate Period, the number of basis
 170 points or schedule of basis points set forth in the applicable Bank Purchase Agreement
 171 approved by the Finance Director pursuant to Section 8.2 of this ordinance.

172 "**Authorized Denominations**" means (i) with respect to Bonds in a Daily Mode,
 173 Weekly Mode, or LIBOR Index Mode, \$100,000 and any integral multiple of \$5,000 in
 174 excess thereof, (ii) with respect to Bonds in a Flexible Mode, \$100,000 and any integral
 175 multiple of \$1,000 in excess thereof, and (iii) with respect to Bonds in a Term Rate Mode
 176 or a Fixed Rate Mode, \$5,000 and any integral multiple thereof.

177 **"Automatic Termination Event"** means an event of default set forth in a
178 Reimbursement Agreement between the county and a Liquidity Provider that would
179 result in the immediate and automatic termination or suspension of the Liquidity Facility
180 prior to its stated expiration date without prior notice from the Liquidity Provider to the
181 Tender Agent

182 **"Available Amount"** means the amount available under any Credit Enhancement
183 or Liquidity Facility, as applicable, to pay the principal of and interest on the Bonds
184 and/or the Purchase Price of the Bonds, as applicable.

185 **"Balloon Maturity Bonds"** means any obligations of the System, other than
186 Term Bonds, the entire principal amount of which is due at maturity without serial bond
187 payments or sinking fund redemption payments, including the Bonds.

188 **"Bank"** means U.S. Bank, as the initial Owner of the Bonds and its successors
189 and assigns in accordance with the terms of the Bank Purchase Agreement and the terms
190 hereof and any subsequent Owner of the Bonds during any LIBOR Index Rate Period.

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

193 **"Bank Purchase Agreement"** means, during the Initial Period, the Bondholder's
194 Agreement between the county and U.S. Bank, as the same may be amended from time to
195 time, and during any LIBOR Index Rate Period other than the Initial Period, means any
196 agreement between the county and a Bank that may be designated as a Bank Purchase
197 Agreement.

198 **"Bank Purchase Date"** means (i) the Initial Bank Purchase Date and (ii) during
199 any LIBOR Index Rate Period other than the Initial Period, the date designated by the
200 county pursuant to Section 2.9(i) hereof.

201 **"Beneficial Owner"** means, when the Bonds are held in a Book-Entry System,
202 any Person who acquires a beneficial ownership interest in a Bond held by the Securities
203 Depository. When the Bonds are not held in a Book-Entry System, Beneficial Owner
204 means Owner for purposes of this ordinance.

205 **"Bond Counsel"** means any firm of nationally recognized municipal bond
206 attorneys selected by the county and experienced in the issuance of municipal bonds and
207 matters relating to the exclusion of the interest thereon from gross income for Federal
208 income tax purposes.

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

211 **"Bondowners' Trustee"** means the bank or financial institution selected by the
212 Owners of the Bonds pursuant to Section 6.2 of this ordinance.

213 **"Bonds"** means the King County, Washington, Junior Lien Variable Rate
214 Demand Sewer Revenue Bonds, Series 2011, authorized to be issued in the aggregate
215 principal amount of not to exceed \$100,000,000 pursuant to Section 2.1 of this ordinance.

216 **"Book-Entry System"** means the system maintained by a Securities Depository
217 described in Article II of this ordinance.

218 **"Business Day"** means any business day other than (i) a Saturday or Sunday or
219 (ii) a day on which the Bank, the Calculation Agent, the Registrar, the Paying Agent, the
220 Tender Agent, or the Remarketing Agent, if any, are required or authorized to be closed

221 or (iii) a day on which the office of the Credit Provider or Liquidity Provider at which it
222 will pay draws or advances are required or authorized to be closed, or (iv) a day on which
223 The New York Stock Exchange is closed.

224 "**Calculation Agent**" means, during the Initial Period, the Bank, and thereafter
225 means the Paying Agent or any other Person appointed by the county, with the consent of
226 the Bank, to serve as Calculation Agent for the Bonds.

227 "**Capital Appreciation Bonds**" means any Parity Bonds the interest on which is
228 compounded, accumulated and payable only upon redemption or on the maturity date of
229 such Parity Bonds; provided, however, that Parity Bonds may be deemed to be Capital
230 Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution
231 or motion authorizing their issuance. On the date on which Parity Bonds no longer are
232 Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount
233 equal to their Accreted Value.

234 "**Certified Public Accountant**" means an independent certified public accountant
235 (or firm of certified public accountants) selected by the county and having a favorable
236 national reputation.

237 "**Closing Date**" means the date of delivery of the Bonds to the Bank as the initial
238 purchaser thereof.

239 "**Commercial Paper Notes**" means the King County, Washington, Sewer
240 Revenue Bond Anticipation Notes, Commercial Paper Series A, authorized, issued, and
241 outstanding from time to time pursuant to Ordinance 12057 of the county passed on
242 December 11, 1995, as amended.

243 **"Comprehensive Plan"** means the county's comprehensive water pollution
244 abatement plan authorized by RCW 35.58.200 and defined in King County Code
245 ("K.C.C.") 28.82.150 as the Comprehensive Sewage Disposal Plan adopted by
246 Resolution 23 of the Metro Council on April 22, 1959, and all amendments thereto,
247 together with any amendments hereafter approved by ordinance of the county.

248 **"Conversion Date"** means with respect to the Bonds in a particular Interest Rate
249 Mode, the day on which another Interest Rate Mode for the Bonds begins.

250 **"Conversion Notice"** means the notice from the county to the other Notice Parties
251 of the county's intention to change the Interest Rate Mode with respect to the Bonds.

252 **"County Bonds"** means Bonds held by the Registrar for and on behalf of the
253 county or any nominee for (or any Person who owns such Bonds for the sole benefit of)
254 the county pursuant to Section 3.14(c) of this ordinance.

255 **"County Purchase Account"** means each account with that name established
256 within the Bond Purchase Fund pursuant to Section 3.14 of this ordinance.

257 **"Credit Enhancement"** means any letter of credit, insurance policy, surety bond,
258 line of credit or other instrument, if any, that secures or guarantees the payment of
259 principal of and interest on the Bonds.

260 **"Credit Provider"** means any bank, insurance company, pension fund or other
261 financial institution that provides a Credit Enhancement or Alternate Credit Enhancement
262 for the Bonds.

263 **"Current Mode"** shall have the meaning specified in Section 2.10(a)(i) of this
264 ordinance.

265 **"Daily Mode"** means the Interest Rate Mode during which the Bonds bear interest
266 at the Daily Rate.

267 **"Daily Rate"** means the per annum interest rate on any Bond in the Daily Mode
268 determined pursuant to Section 2.6(a) of this ordinance.

269 **"Daily Rate Period"** means the period during which a Bond in the Daily Mode
270 bears interest at a Daily Rate, which shall be from the Business Day upon which a Daily
271 Rate is set to but not including the next succeeding Business Day.

272 **"Debt Service Offset"** means receipts of the county that are (i) legally available
273 to pay debt service on obligations payable from Revenue of the System, including
274 without limitation federal interest subsidy payments, and (ii) pledged to the payment of
275 obligations payable from Revenue of the System.

276 **"Default"** means any of the events or conditions set forth in Section 6.1 of this
277 ordinance.

278 **"Default Rate"** has the meaning set forth in the Bank Purchase Agreement.

279 **"Delayed Remarketing Period"** has the meaning specified in Section 3.15(b) of
280 this ordinance.

281 **"Determination of Taxability"** means and shall be deemed to have occurred on
282 the first to occur of the following:

283 (i) on that date when the county files any statement, supplemental
284 statement or other tax schedule, return or document that discloses that an Event of
285 Taxability has in fact occurred;

286 (ii) on the date when the county is advised in writing by the
287 Commissioner or any District Director of the Internal Revenue Service (or any other

288 government official or agent exercising the same or a substantially similar function from
289 time to time) that, based upon filings of the county, or upon any review or audit of the
290 county or upon any other ground whatsoever, an Event of Taxability has occurred; or
291 (iii) on that date when the county receives notice from any current or
292 former Owner or Beneficial Owner of a Bond that the Internal Revenue Service (or any
293 other government official or agency exercising the same or a substantially similar
294 function from time to time) has assessed as includable in the gross income of such current
295 or former Owner or Beneficial Owner the interest on the Bond due to the occurrence of
296 an Event of Taxability;
297 provided, however, that no Determination of Taxability shall occur under subparagraph
298 (ii) or (iii) above unless the county has been afforded the opportunity, at its expense, to
299 contest any such assessment, and, further, no Determination of Taxability shall occur
300 until such contest, if made, has been finally determined; provided further, however, that
301 upon demand from the current or former Owner or Beneficial Owner, the county shall
302 promptly reimburse such Owner or Beneficial Owner for any payments, including any
303 taxes, interest, penalties or other charges, that such Owner or Beneficial Owner has been
304 obligated to make as a result of the Determination of Taxability.

305 "DTC" means The Depository Trust Company, a limited purpose trust company
306 organized under the laws of the State of New York, and any successor thereto.

307 "DTC Participants" means those broker-dealers, banks and other financial
308 institutions for which DTC holds bonds or other securities as securities depository.

309 "Electronic Means" means telecopy, facsimile transmission, e-mail transmission
310 or other similar electronic means of communication providing evidence of transmission.

311 **"Event of Taxability"** means a change in law or fact or the interpretation thereof,
312 or the occurrence or existence of any fact, event or circumstance (including, without
313 limitation, the taking of any action by the county, or the failure to take any action by the
314 county, or the making by the county of any misrepresentation herein or in any certificate
315 required to be given in connection with the issuance, sale or delivery of the Bonds) that
316 has the effect of causing interest paid or payable on the Bonds to become included, in
317 whole or in part, in the gross income of the current or former Owner or Beneficial Owner
318 for federal income tax purposes.

319 **"Excess Interest"** has the meaning set forth in Section 2.9(h) hereof.

320 **"Expiration Date"** means the stated expiration date of any Credit Enhancement
321 or Liquidity Facility, as it may be extended from time to time as provided in the Credit
322 Enhancement or in the Liquidity Facility or Reimbursement Agreement, as applicable, or
323 any earlier date on which the Credit Enhancement or the Liquidity Facility may terminate
324 at the direction of the county, expire or be cancelled.

325 **"Favorable Opinion of Bond Counsel"** means, with respect to any action the
326 occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which
327 shall be a Bond Counsel, to the effect that such action is permitted under this ordinance
328 and will not adversely affect the exclusion of interest on the Bonds from gross income for
329 purposes of federal income taxation (subject to the inclusion of any exceptions contained
330 in the opinion delivered upon original issuance of the Bonds).

331 **"Finance Director"** means the director of the finance and business operations
332 division of the county or his or her designee, or the successor to the duties of that office.

333 **"Fiscal Agency Agreement"** means the agreement of that name dated February 1,
334 2007, as amended, between the State of Washington and The Bank of New York Mellon,
335 and any amendments and supplements thereto and replacements thereof.

336 **"Fixed Rate"** means the per annum interest rate on any Bond in the Fixed Rate
337 Mode determined pursuant to Section 2.7(b) of this ordinance.

338 **"Fixed Rate Bond"** means a Bond in the Fixed Rate Mode.

339 **"Fixed Rate Mode"** means the Interest Rate Mode during which the Bonds bear
340 interest at the Fixed Rate.

341 **"Fixed Rate Period"** means for the Bonds in the Fixed Rate Mode, the period
342 from the Conversion Date upon which the Bonds were converted to the Fixed Rate Mode
343 to but not including the Maturity Date for the Bonds.

344 **"Flexible Mode"** means the Interest Rate Mode during which the Bonds bear
345 interest at the Flexible Rate.

346 **"Flexible Rate"** means the per annum interest rate on a Bond in the Flexible
347 Mode determined for such Bond pursuant to Section 2.5 of this ordinance. The Bonds in
348 the Flexible Mode may bear interest at different Flexible Rates.

349 **"Flexible Rate Bond"** means a Bond in the Flexible Mode.

350 **"Flexible Rate Period"** means the period of from one to 270 calendar days
351 (which period must end on a day preceding a Business Day) during which a Flexible Rate
352 Bond shall bear interest at a Flexible Rate, as established by the Remarketing Agent
353 pursuant to Section 2.5 of this ordinance. The Bonds in the Flexible Mode may be in
354 different Flexible Rate Periods.

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

357 **"Government Obligations"** means those obligations now or hereafter defined as
358 such in Chapter 39.53 of the Revised Code of Washington, as such chapter may be
359 hereafter amended or restated.

360 **"Initial Bank Purchase Date"** means the date that is three years after the Closing
361 Date.

362 **"Initial Period"** means the initial LIBOR Index Rate Period commencing on the
363 Closing Date and ending on the first to occur of (i) the Initial Bank Purchase Date, (ii) the
364 Conversion Date next succeeding the Closing Date, or (iii) the Maturity Date.

365 **"Interest Accrual Period"** means the period during which a Bond accrues
366 interest payable on the next Interest Payment Date applicable thereto. Each Interest
367 Accrual Period shall commence on (and include) the last Interest Payment Date to which
368 interest has been paid (or, if no interest has been paid, from the Closing Date) to, but not
369 including, the Interest Payment Date on which interest is to be paid. If, at the time of
370 authentication of any Bond, interest is in default or overdue on the Bonds, such Bond
371 shall bear interest from the date to which interest has previously been paid in full or made
372 available for payment in full on Outstanding Bonds.

373 **"Interest Payment Date"** means each date on which interest is to be paid and is:
374 (i) with respect to the Bonds in the Flexible Mode, each Mandatory Purchase Date
375 applicable thereto; (ii) with respect to the Bonds in the Daily Mode or Weekly Mode, the
376 first Business Day of each month; (iii) with respect to the Bonds in a Term Rate Mode or
377 a Fixed Rate Mode, the first day of the sixth calendar month following the month in

378 which such Term Rate Mode or a Fixed Rate Mode takes effect, and the first day of each
379 sixth calendar month thereafter or, upon the receipt by the Registrar of a Favorable
380 Opinion of Bond Counsel, any other six-month interval chosen by the county (beginning
381 with the first such day which is at least three months after the Conversion Date) and, with
382 respect to a Term Rate Period, the final day of the current Interest Period if other than a
383 regular six-month interval; (iv) with respect to the Bonds in the LIBOR Index Mode, the
384 first Business Day of each month (beginning with the first such day after the Closing
385 Date or a Conversion Date, as applicable); (v) (without duplication as to any Interest
386 Payment Date listed above) each Maturity Date; and (vi) with respect to any Liquidity
387 Provider Bonds, the dates set forth in the Reimbursement Agreement.

388 **"Interest Period"** means, for the Bonds in a particular Interest Rate Mode, the
389 period of time that the Bonds bear interest at the rate (per annum) that becomes effective
390 at the beginning of such period, and includes a Flexible Rate Period, a Daily Rate Period,
391 a Weekly Rate Period, a LIBOR Interest Period, a Term Rate Period and a Fixed Rate
392 Period.

393 **"Interest Rate Mode"** means, as the context may require, the Flexible Mode, the
394 Daily Mode, the Weekly Mode, the LIBOR Index Mode, the Term Rate Mode or the
395 Fixed Rate Mode.

396 **"Junior Lien Bond Fund"** means the "King County, Washington, Junior Lien
397 Obligation Redemption Fund" created pursuant to Section 5.01 of Ordinance 14171.

398 **"Junior Lien Obligations"** means the bonds identified as such in the Preamble to
399 this ordinance, together with the Bonds and any Additional Junior Lien Obligations.

400 "Junior Lien Obligations" include any obligations owed by the county under any
401 Reimbursement Agreement.

402 **"Letter of Representations"** means the Blanket Issuer Letter of Representations
403 heretofore entered into by the county with DTC, or any similar agreement or document
404 relating to a successor to DTC as Securities Depository.

405 **"LIBOR"** means, for any day, the London interbank offered rate for U.S. dollar
406 deposits for a one-month period, as reported as of such day on Reuters Screen LIBOR01
407 Page or any successor thereto, which shall be that one-month LIBOR rate in effect on the
408 Rate Determination Date, such rate to be reset monthly as set forth in Section 2.9(a)
409 hereof.

410 **"LIBOR Index Mode"** means the Interest Rate Mode during which the Bonds
411 bear interest at the LIBOR Index Rate.

412 **"LIBOR Index Rate"** means a per annum rate of interest, calculated on each Rate
413 Determination Date, equal to the product of the Applicable Factor and LIBOR in effect
414 on that date, plus the Applicable Spread.

415 **"LIBOR Index Rate Conversion Date"** means (a) the date on which the Bonds
416 begin to bear interest at the LIBOR Index Rate or, (b) if the Bonds have previously borne
417 interest at the LIBOR Index Rate during a LIBOR Index Rate Period then ending, the
418 Bank Purchase Date occurring at the end of the then ending LIBOR Index Rate Period.

419 **"LIBOR Index Rate Period"** means (a) the Initial Period and (b) each period
420 thereafter from and including a LIBOR Index Rate Conversion Date to but excluding the
421 earlier of (i) the immediately succeeding Bank Purchase Date and (ii) the Maturity Date. **"LIBOR Interest**
422 **Interest Payment Date** to but not including the following Interest Payment Date.

423 **"Liquidity Facility"** means any letter of credit, line of credit, standby purchase
424 agreement or other instrument then in effect that provides for the payment of the purchase
425 price of Bonds upon the tender thereof if remarketing proceeds are insufficient therefor.

426 **"Liquidity Facility Purchase Account"** means the account by that name created
427 pursuant to Section 3.14 of this ordinance.

428 **"Liquidity Provider"** means any bank, insurance company, pension fund or other
429 financial institution that provides a Liquidity Facility or Alternate Liquidity Facility for
430 the Bonds.

431 **"Liquidity Provider Bonds"** means any Bonds purchased by a Liquidity Provider
432 with funds drawn on or advanced under a Liquidity Facility.

433 **"Long-Term Mode"** means a LIBOR Index Mode, a Term Rate Mode or a Fixed
434 Rate Mode.

435 **"Mandatory Purchase Date"** means: (i) for a Flexible Rate Bond, the first
436 Business Day following the last day of each Flexible Rate Period for that Bond; (ii) for
437 Bonds in the Term Rate Mode, the first Business Day following the last day of each Term
438 Rate Period; (iii) any Conversion Date; (iv) any Substitution Date; (v) the fifth Business
439 Day prior to any Expiration Date (other than as a result of an Automatic Termination
440 Event); (vi) the date specified by the Registrar following the occurrence of an event of
441 default (other than an Automatic Termination Event) under the Reimbursement
442 Agreement, which date shall be a Business Day not more than 25 nor less than 20 days
443 after the Registrar's receipt of written notice of such event of default from the Credit
444 Provider or the Liquidity Provider and in no event later than the day preceding the
445 termination date specified by the Credit Provider or the Liquidity Provider; (vii) the date

446 specified by the Registrar following receipt of notice by the Registrar from the Credit
447 Provider that the Credit Enhancement will not be reinstated following a drawing to pay
448 interest on the Bonds (other than interest on Bonds no longer Outstanding after such
449 drawing), which date shall be a Business Day not more than five days after the Registrar's
450 receipt of such notice; (viii) for Bonds in the Daily Mode or Weekly Mode, any Business
451 Day specified by the county not less than 20 days after the Registrar's receipt of such
452 notice and in no event later than the day preceding the Expiration Date; (ix) a Bank
453 Purchase Date, (x) with respect to each Bond then in the LIBOR Index Mode and each
454 Unremarketed Bond following the occurrence of a Default and written direction from the
455 Bank for the Tender Agent to call the Bonds for mandatory tender for purchase, the
456 twentieth Business Day after the Tender Agent receives that notice; and (xi) with respect
457 to each Bond then in the LIBOR Index Mode, the date that is the last Business Day prior
458 to the 120th day following a Taxable Date.

459 **"Maturity Date"** means January 1, 2042, and, if established pursuant to Section
460 2.10(b)(v) of this ordinance upon a change to the Fixed Rate Mode, any Serial Maturity
461 Date.

462 **"Maximum Rate"** means (i) with respect to all Bonds other than Liquidity
463 Provider Bonds, Bonds in the LIBOR Index Mode and Unremarketed Bonds, a rate of
464 interest equal to the lesser of (a) 15% per annum or (b) the per annum interest rate used to
465 calculate the Available Amount under the Liquidity Facility, (ii) with respect to Liquidity
466 Provider Bonds, the rate specified in the Reimbursement Agreement, and (iii) with
467 respect to Bonds in the LIBOR Index Mode and Unremarketed Bonds, the rate specified

468 in the applicable Bank Purchase Agreement. In no event shall such rate(s) exceed the
469 highest rate allowed by law.

470 **"Moody's"** means Moody's Investors Service, a corporation duly organized and
471 existing under and by virtue of the laws of the State of Delaware, and its successors and
472 assigns, except that if such corporation shall be dissolved or liquidated or shall no longer
473 perform the functions of a securities rating agency, then the term "Moody's" shall be
474 deemed to refer to any other nationally recognized securities rating agency selected by
475 the county after consultation with the Remarketing Agent.

476 **"MSRB"** means the Municipal Securities Rulemaking Board or any successors to
477 its functions.

478 **"Multi-Modal LTGO/Sewer Revenue Bonds"** means the county's Multi-Modal
479 Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2010A
480 and Series 2010B, and any additional limited tax general obligation bonds of the county
481 payable from Revenue of the System and having the same lien on such revenue as those
482 bonds.

483 **"Net Revenue"** means Revenue of the System less Operating and Maintenance
484 Expenses.

485 **"New Mode"** shall have the meaning specified in Section 2.10(a) of this
486 ordinance.

487 **"New York Banking Day"** means any day (other than a Saturday or Sunday) on
488 which commercial banks are open for business in New York, New York.

489 **"Notice Parties"** means the county, the Bank, the Registrar, the Paying Agent, the
490 Tender Agent, the Remarketing Agent, if any, the Credit Provider, if any, and the
491 Liquidity Provider, if any.

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

497 **"Opinion of Counsel"** means a written legal opinion from a firm of attorneys
498 experienced in the matters to be covered in the opinion.

499 **"Outstanding,"** when used as of a particular time with reference to Bonds, means
500 all Bonds delivered hereunder except:

501 (a) Bonds cancelled by the Registrar or surrendered to the Registrar for
502 cancellation;

503 (b) Bonds paid or deemed to have been paid within the meaning of this
504 ordinance; and

505 (c) Bonds in lieu of or in substitution for which replacement Bonds have been
506 executed by the county and delivered by the Registrar hereunder.

507 Notwithstanding the foregoing, Liquidity Provider Bonds shall remain
508 Outstanding until the Liquidity Provider is paid all amounts due on such Bonds.

509 **"Owner"** means the registered owner of a Bond, including the Securities
510 Depository, if any, or its nominee.

511 **"Parity Bond Fund"** means the "Water Quality Revenue Bond Account"
512 designated pursuant to Section 30 of Ordinance 12076 of the county for the purpose of
513 paying and securing the payment of the Parity Bonds.

514 **"Parity Bond Reserve Account"** means the bond reserve account in the Parity
515 Bond Fund securing the payment of the Parity Bonds.

516 **"Parity Bonds"** means the bonds identified as such in the Preamble to this
517 ordinance, together with any Future Parity Bonds. "Parity Bonds" include any Parity
518 Payment Agreements and parity reimbursement agreements entered into with the
519 provider of a Credit Facility securing any Parity Bonds.

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

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

528 **"Parity Lien Obligations"** means bonds identified as such in the Preamble to this
529 ordinance and any additional Parity Lien Obligations. "Parity Lien Obligations" include
530 any Parity Lien Obligation Payment Agreements and parity reimbursement agreements
531 entered into with the provider of a Credit Facility securing any Parity Lien Obligations.

532 **"Parity Payment Agreement"** means a Payment Agreement under which the
533 county's payment obligations are expressly stated to constitute a charge and lien on the

534 Revenue of the System equal in rank with the charge and lien upon such revenue securing
535 amounts required to be paid into the Bond Fund to pay and secure the payment of
536 principal of and interest on the Parity Bonds.

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

540 **"Paying Agent"** means the Registrar or such other or additional Paying Agent
541 designated from time to time pursuant to Section 7.1 of this ordinance.

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

551 **"Payment Agreement Payments"** means the amounts periodically required to be
552 paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The
553 term "Payment Agreement Payments" does not include any termination payment required
554 to be paid with respect to a Payment Agreement.

555 **"Payment Agreement Receipts"** means the amounts periodically required to be
556 paid by the Qualified Counterparty to the county pursuant to a Payment Agreement.

557 **"Person"** means a corporation, association, partnership, limited liability company,
558 joint venture, trust, organization, business, individual or government or any governmental
559 agency or political subdivision thereof.

560 **"Principal Office"** means, with respect to the Registrar and Paying Agent, the
561 designated office of the Registrar indicated in Section 10.3 of this ordinance; or such
562 other or additional offices as may be specified to the county by the Registrar or Paying
563 Agent.

564 **"Principal Payment Date"** means any date upon which the principal amount of
565 Bonds is due hereunder, including the Maturity Date, any Serial Maturity Date, any
566 Redemption Date, or the date the maturity of any Bond is accelerated pursuant to the
567 terms hereof or otherwise.

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

573 **"Public Works Trust Fund Loans"** means loans to the county by the State of
574 Washington Department of Community, Trade and Economic Development under the
575 Public Works Trust Fund loan program pursuant to loan agreements in effect as of the
576 date of this ordinance and any loan agreements hereafter entered into by the county under
577 the Public Works Trust Fund loan program, the repayment obligations of which are
578 secured by a lien on Revenue of the System equal to the lien thereon established by such
579 loan agreements.

580 **"Purchase Date"** means (i) for a Bond in the Daily Mode or the Weekly Mode,
581 any Business Day selected by the Beneficial Owner of said Bond pursuant to the
582 provisions of Section 3.6 of this ordinance, and (ii) any Mandatory Purchase Date.

583 **"Purchase Fund"** means the fund by that name created in Section 3.14 of this
584 ordinance.

585 **"Purchase Price"** means an amount equal to the principal amount of any Bonds
586 purchased on any Purchase Date, plus accrued interest to the Purchase Date (unless the
587 Purchase Date is an Interest Payment Date, in which case the Purchase Price shall not
588 include accrued interest, which shall be paid in the normal course).

589 **"Purchaser Rate"** has the meaning set forth in the applicable Bank Purchase
590 Agreement.

591 **"Qualified Counterparty"** means with respect to a Payment Agreement an entity
592 (i) whose senior long term debt obligations, other senior unsecured long term obligations
593 or claims paying ability or whose payment obligations under a Payment Agreement are
594 guaranteed by an entity whose senior long term debt obligations, other senior unsecured
595 long term obligations or claims paying ability are rated (at the time the Payment
596 Agreement is entered into) at least as high as A3 by Moody's and A- by S&P, or the
597 equivalent thereof by any successor thereto, and (ii) who is otherwise qualified to act as
598 the other party to a Payment Agreement under any applicable laws of the State.

599 **"Rate Determination Date"** means any date on which the interest rate on Bonds
600 is determined, which, (i) in the case of the Flexible Mode, shall be the first day of an
601 Interest Period; (ii) in the case of the Daily Mode, shall be each Business Day
602 commencing with the first day (which must be a Business Day) the Bonds become

603 subject to the Daily Mode; (iii) in the case of the Weekly Mode, (A) initially, each
604 Tuesday or, if Tuesday is not a Business Day, then the Business Day next succeeding
605 such Tuesday or such other day as may be established pursuant to Section 2.6(c) of this
606 ordinance, and (B) not later than the Business Day preceding a Conversion Date, a
607 Substitution Date or a Mandatory Purchase Date specified in clause (viii) of the definition
608 of Mandatory Purchase Date; (iv) in the case of the Term Rate Mode, shall be a Business
609 Day no earlier than 15 Business Days and no later than the Business Day next preceding
610 the first day of an Interest Period, as determined by the Remarketing Agent; (v) in the
611 case of the LIBOR Index Mode, shall be the date that is two New York Banking Days
612 before the first day of each LIBOR Interest Period, except as provided in Section 2.1(a);
613 and (vi) of this ordinance in the case of the Fixed Rate Mode, shall be a date determined
614 by the Remarketing Agent which shall be at least one Business Day prior to the
615 Conversion Date.

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

618 **"Rating Agency"** means Moody's or Standard & Poor's or, if either Moody's or
619 Standard & Poor's does not furnish a rating on the Bonds, then each such nationally
620 recognized rating agency then rating the Bonds.

621 **"Rating Confirmation Notice"** means a notice from Moody's or S&P, as
622 appropriate, confirming that the rating on the Bonds will not be lowered or withdrawn
623 (other than a withdrawal of a short-term rating upon a change to a Long-Term Mode) as a
624 result of the action proposed to be taken.

625 **"Record Date"** means (i) with respect to Bonds in a Short-Term Mode, the last
626 Business Day before an Interest Payment Date; and (ii) with respect to Bonds in a Long-
627 Term Mode, the 15th day (whether or not a Business Day) of the month next preceding
628 each Interest Payment Date.

629 **"Redemption Date"** means the date fixed for redemption of Bonds subject to
630 redemption in any notice of redemption given in accordance with the terms hereof.

631 **"Redemption Price"** means an amount equal to the principal of and premium, if
632 any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

633 **"Registrar"** means initially, the fiscal agency of the State of Washington in New
634 York, New York, or any successor Registrar appointed pursuant to Section 7.1 of this
635 ordinance. The Registrar's duties include registering and authenticating the Bonds,
636 maintaining the Bond Register, registering the transfer of Bonds, paying interest on and
637 principal of the Bonds, paying the Purchase Price of tendered Bonds, and holding the
638 Credit Enhancement and Liquidity Facility.

639 **"Reimbursement Agreement"** means any reimbursement agreement, credit
640 agreement, line of credit agreement, standby purchase agreement or other agreement, by
641 and between the county and a Credit Provider or Liquidity Provider.

642 **"Remarketing Agent"** means any investment banking firm appointed as provided
643 in Section 7.2 of this ordinance.

644 **"Remarketing Agreement"** means any agreement between the county and a
645 Remarketing Agent, as it may be amended or supplemented from time to time in
646 accordance with its terms.

647 **"Remarketing Proceeds Account"** means the account by that name created
648 pursuant to Section 3.14 of this ordinance.

649 **"Revenue Fund"** means the "Water Quality Operating Account" as designated by
650 Section 30 of Ordinance 12076 of the county.

651 **"Revenue of the System"** means all the earnings, revenues and money received
652 by the county from or on account of the operations of the Sewer System and the income
653 from the investment of money in the Revenue Fund or any account within such fund, but
654 does not include (i) any money collected pursuant to the Service Agreements applicable
655 to administrative costs of the county other than costs of administration of the System and
656 (ii) any Debt Service Offsets.

657 **"Rule"** means the Securities and Exchange Commission's Rule 15c2-12 under the
658 Securities Exchange Act of 1934, as amended.

659 **"S&P"** means Standard & Poor's Ratings Services, a division of The McGraw-
660 Hill Companies, duly organized and existing under and by virtue of the laws of the State
661 of New York, and its successors and assigns, except that if such corporation shall be
662 dissolved or liquidated or shall no longer perform the functions of a securities rating
663 agency, then the term "S&P" shall be deemed to refer to any other nationally recognized
664 securities rating agency selected by the county after consultation with the Remarketing
665 Agent, if any.

666 **"Securities Depository"** means DTC or such other securities depository as the
667 county may designate in a certificate of the county delivered to the Registrar if the Bonds
668 are to be held in a Book-Entry System.

669 **"Senior Lien Payments"** means, for any calendar year, the sum of the following:

670 (1) Annual Debt Service for such year for then outstanding Parity Bonds and
671 Parity Lien Obligations; and

672 (2) any other payments described in Paragraphs Second through Fifth of Section
673 4.2 of this ordinance required to be made during such year.

674 "**Serial Bonds**" means the Bonds maturing on the Serial Maturity Dates, as
675 determined pursuant to Section 2.10(b) of this ordinance.

676 "**Serial Maturity Dates**" means the dates on which the Serial Bonds mature, as
677 determined pursuant to Section 2.10(b) of this ordinance.

678 "**Serial Payments**" means the payments to be made in payment of the principal of
679 the Serial Bonds on the Serial Maturity Dates.

680 "**Service Agreements**" means the sewage disposal agreements entered into
681 between the county and municipal corporations, persons, firms, private corporations, or
682 governmental agencies providing for the disposal by the county of sewage collected from
683 such contracting parties.

684 "**Short-Term Mode**" means the Daily Mode, the Weekly Mode or the Flexible
685 Mode.

686 "**SRF Loans**" means loans to the county by the State of Washington Department
687 of Ecology pursuant to loan agreements in effect as of the date of this ordinance and any
688 loans and loan agreements hereafter entered into by the county under the State of
689 Washington water pollution control revolving fund loan program, the repayment
690 obligations of which are secured by a lien on Revenue of the System equal to the lien
691 thereon established by such loan agreements.

692 **"Statutory Tax Rate"** means as of any date of determination, the highest federal
693 income tax rate (expressed in decimals) applicable in each tax year on the taxable income
694 of corporations pursuant to Section 11 of the Code, without regard to any minimum
695 additional tax provision or provisions, which as of the date hereof is 0.35.

696 **"Subordinate Lien Obligations"** means the Commercial Paper Notes, the Bank
697 Note and any Additional Subordinate Lien Obligations.

698 **"Substitution Date"** means the date upon which an Alternate Credit
699 Enhancement or Alternate Liquidity Facility is scheduled to be substituted for the Credit
700 Enhancement or Liquidity Facility then in effect.

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

704 **"Taxable Date"** means the date as of which interest on the Bonds is first included
705 in gross income of the Owner of the Bond (including, without limitation, any previous
706 Owner) thereof as a result of an Event of Taxability as such a date is established pursuant
707 to a Determination of Taxability.

708 **"Taxable Rate"** means as of any date of determination, the quotient obtained by
709 dividing the then current interest rate on the Bonds by (1.00 minus the Statutory Tax
710 Rate) and expressing that quotient as an interest rate per annum (rounded to two
711 decimals).

712 **"Tax Certificate"** means the federal tax certificate with respect to certain federal
713 tax matters executed on behalf of the county upon the issuance of each series of the
714 Bonds.

715 **"Tender Agent"** means the Registrar or such other or additional Tender Agent
716 designated from time to time.

717 **"Tender Notice"** means a notice delivered by Electronic Means or in writing that
718 states (i) the principal amount of such Bond to be purchased pursuant to Section 3.6 of
719 this ordinance, (ii) the Purchase Date on which such Bond is to be purchased, (iii)
720 applicable payment instructions with respect to the Bonds being tendered for purchase
721 and (iv) an irrevocable demand for such purchase.

722 **"Tender Notice Deadline"** means (i) during the Daily Mode, 11:00 A.M. on any
723 Business Day and (ii) during the Weekly Mode, 5:00 P.M. on the Business Day seven
724 days prior to the applicable Purchase Date.

725 **"Term Rate"** means the per annum interest rate for the Bonds in the Term Rate
726 Mode determined pursuant to Section 2.7(a) of this ordinance.

727 **"Term Rate Mode"** means the Interest Rate Mode during which the Bonds bear
728 interest at the Term Rate.

729 **"Term Rate Period"** means the period from (and including) the Conversion Date
730 or the date of initial issuance of the Bonds, as applicable, to (but excluding) the last day
731 of the first period that the Bonds shall be in the Term Rate Mode as established by the
732 county for the Bonds pursuant to Section 2.10(a)(i) of this ordinance and, thereafter, the
733 period from (and including) the beginning date of each successive Interest Period selected
734 for the Bonds by the county pursuant to Section 2.7(a) of this ordinance while it is in the
735 Term Rate Mode to (but excluding) the commencement date of the next succeeding
736 Interest Period, including another Term Rate Period. Except as otherwise provided in

737 this ordinance, an Interest Period for the Bonds in the Term Rate Mode must be at least
738 180 days in length.

739 **"Unremarketed Bonds"** means Bonds that on the applicable Bank Purchase Date
740 have not been successfully converted to another Interest Rate Mode or remarketed to a
741 Person other than the Bank.

742 **"U.S. Bank"** means U.S. Bank National Association.

743 **"Unremarketed Bonds Rate"** means the Maximum Rate, provided that in no
744 event shall such rate exceed the highest rate allowed by law.

745 **"Variable Rate Mode"** means the Short-Term Mode or the Term Rate Mode.

746 **"Variable Rate Parity Bonds"** and **"Variable Rate Parity Lien Obligations"**
747 mean Parity Bonds and Parity Lien Obligations bearing interest at a variable rate of
748 interest provided that at least one of the following conditions is met: (i) at the time of
749 issuance the county has entered into a Payment Agreement with respect to such Parity
750 Bonds or Parity Lien Obligations, as applicable, which Agreement converts the effective
751 interest rate to the county on such bonds from a variable interest rate to a fixed interest
752 rate, or (ii) the Parity Bonds or Parity Lien Obligations bear interest at a variable rate but
753 are issued concurrently in equal par amounts with other Parity Bonds or Parity Lien
754 Obligations bearing interest at a variable rate and that are required to remain outstanding
755 in equal amounts at all times, if the net effect of such equal par amounts and variable
756 rates at all times is a fixed rate of interest to the county.

757 **"Weekly Mode"** means the Interest Rate Mode during which the Bonds bear
758 interest at the Weekly Rate.

759 "**Weekly Rate**" means the per annum interest rate on the Bonds in the Weekly
760 Mode determined pursuant to Section 2.6(b) of this ordinance.

761 "**Weekly Rate Period**" means the period during which a Bond in the Weekly
762 Mode bears a Weekly Rate, which shall be the period commencing on the day following
763 the Rate Determination Date of each week to and including the Rate Determination Date
764 of the following week, except (i) in connection with a conversion to the Weekly Rate, in
765 which case the first Weekly Rate Period shall be from the Conversion Date to and
766 including the Rate Determination Date of the following week, (ii) in the case of a
767 Substitution Date or Mandatory Purchase Date specified in clause (viii) of the definition
768 of Mandatory Purchase Date, in which case the Weekly Rate Period prior to the
769 Substitution Date or such Mandatory Purchase Date shall end on the day before the
770 Substitution Date or such Mandatory Purchase Date and a new Weekly Rate Period shall
771 commence on the Substitution Date or such Mandatory Purchase Date and end on the
772 Rate Determination Date of the following week and (iii) in connection with a conversion
773 from the Weekly Mode, the last Weekly Rate Period shall end on the day next preceding
774 the Conversion Date.

775 SECTION 1.2. Interpretation.

776 (a) All references to Section numbers or Article numbers that do not specify the
777 document to which such Section numbers or Article numbers relate shall be deemed to
778 refer to Section numbers or Article numbers in this ordinance.

779 (b) Whenever in this ordinance there is specified a time of day at or by which a
780 certain action must be taken, such time shall be local time in New York City, except as
781 otherwise specifically provided in this ordinance.

782 (c) If the date for making any payment or the last day for the performance of any
783 act or the exercise of any right provided in this ordinance is not a Business Day, the
784 payment may be made or act performed or right exercised on the next succeeding
785 Business Day with the same force and effect as if done on the nominal date provided in
786 this ordinance, except as otherwise specifically provided herein.

787 **ARTICLE II**

788 **AUTHORIZATION, ISSUANCE AND MODES OF THE BONDS**

789 **SECTION 2.1. Authorization, Delivery and Registration.**

790 (a) Authorization; Initial Mode. To finance a portion of the cost of capital
791 improvements to the System, the county will issue a series of Junior Lien Obligations in
792 the aggregate principal amount of not to exceed \$100,000,000 designated as the "King
793 County, Washington, Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series
794 2011" (the "Bonds"). The Bonds shall be dated the date of their authentication and
795 delivery to the Bank and shall bear interest at the applicable rate or rates during each
796 applicable Interest Accrual Period until the entire principal amount of the Bonds has been
797 paid.

798 The Bonds shall be issued initially in the LIBOR Index Mode and shall bear
799 interest at the LIBOR Index Rate from (and including) the Closing Date through to the
800 Initial Bank Purchase Date and may be converted to another Interest Rate Mode
801 (including a subsequent LIBOR Index Mode) as provided herein. The initial LIBOR
802 Index Rate on the Bonds shall be determined two New York Banking Days prior to the
803 Closing Date and shall be set forth in the Bank Purchase Agreement. Thereafter the
804 interest rate to be applicable to the Bonds shall be determined as provided in Section

805 2.9(a) of this ordinance until the Interest Rate Mode for the Bonds is changed, as
806 provided herein.

807 (b) Registration Covenant; Registrar. The county covenants that, until all Bonds
808 have been surrendered and canceled, it will maintain a system for recording the
809 ownership of each Bond that complies with the provisions of Section 149 of the Code. In
810 accordance with K.C.C. Chapter 4.84, the county hereby adopts for the Bonds the system
811 of registration specified and approved by the Washington State Finance Committee,
812 which utilizes the fiscal agency of the State of Washington in New York City as registrar,
813 authenticating agent, paying agent and transfer agent for the Bonds (the "Registrar"). The
814 Registrar shall keep, or cause to be kept, at its corporate trust office, sufficient books for
815 the registration and transfer of the Bonds, which shall at all times be open to inspection
816 by the county (the "Bond Register"). So long as any Bonds remain Outstanding, the
817 Registrar shall make all necessary provisions to permit the exchange or registration of
818 transfer of Bonds at its principal corporate trust office. The Registrar is authorized, on
819 behalf of the county, to authenticate and deliver Bonds transferred or exchanged in
820 accordance with the provisions of the Bonds and this ordinance and to carry out all of the
821 Registrar's powers and duties under this ordinance. The Registrar shall be responsible for
822 its representations contained in the Certificate of Authentication on the Bonds.

823 (c) Initial Registration. The Bonds shall be registered initially in the name of the
824 Bank, with one Bond in a denomination corresponding to the total principal amount of
825 the Bonds designated to mature on the Maturity Date.

826 (d) Transfer or Exchange of Certificated Bonds. So long as the Bonds are not
827 held in a Book-Entry System, the transfer of ownership of any Bond may be registered

828 and such Bonds may be exchanged, but no transfer of any Bond will be valid unless it is
829 surrendered to the Registrar with the assignment form appearing on the Bond duly
830 executed by the Owner or the Owner's duly authorized agent in a manner satisfactory to
831 the Registrar. Upon surrender, the Registrar will cancel the surrendered Bond and
832 authenticate and deliver, without charge to the Owner or transferee therefor, a new Bond
833 (or Bonds at the option of the new Owner) of the same date and Maturity Date and for the
834 same aggregate principal amount in any Authorized Denomination, naming as Owner the
835 person or persons listed as the assignee on the assignment form appearing on the
836 surrendered Bond, in exchange for the surrendered and canceled Bond. Any Bond may
837 be surrendered to the Registrar and exchanged, without charge, for an equal aggregate
838 principal amount of Bonds of the same date and Maturity Date in any Authorized
839 Denomination. Other than in connection with an optional or mandatory tender for
840 purchase, the Registrar is not obligated to transfer or exchange any Bond during the 15-
841 day period prior to the selection of Bonds for redemption or the Maturity Date or
842 following any publication of notice of redemption. No charge will be imposed upon
843 Owners in connection with any transfer or exchange, except for taxes or governmental
844 charges related thereto.

845 (e) Securities Depository. To facilitate conversion of the Bonds to an Interest
846 Rate Mode other than the LIBOR Index Mode during the Initial Period, the county may
847 provide for the Bonds to be held by DTC or by another Securities Depository in fully
848 immobilized form in a Book-Entry System. The Finance Director shall notify the
849 Registrar in writing of the appointment of any such Securities Depository.

850 If DTC is appointed as Securities Depository, the provisions of the Letter of
851 Representations heretofore executed by the county and delivered to DTC shall govern the
852 arrangements for registering, paying and transferring interests in the Bonds. The county,
853 the Registrar, and the Paying Agent will have no responsibility or obligation to DTC
854 Participants or the persons for whom they act as nominees with respect to the accuracy of
855 any records maintained by DTC or any DTC Participant as to the Bonds, the payment by
856 DTC or any DTC Participant of any amount in respect of the principal or redemption
857 price of or interest on the Bonds, any notice that is permitted or required to be given to
858 Owners under this ordinance (except any such notices as must be given by the county to
859 the Registrar, the Paying Agent, or to DTC), the selection by DTC or by any DTC
860 Participant of any person to receive payment in the event of a partial redemption of the
861 Bonds, or any consent given or other action taken by DTC as the Owner of the Bonds.

862 While the Bonds are held by DTC in a Book-Entry System, purchases of the
863 Bonds, in Authorized Denominations, may be made through brokers and dealers, who
864 must be or act through DTC Participants. Registered ownership of such immobilized
865 Bonds, or any portions thereof, may not thereafter be transferred except (i) to any
866 successor Securities Depository or its nominee, provided that any such successor must be
867 qualified under any applicable laws to provide the service proposed to be provided by it;
868 (ii) to any substitute Securities Depository appointed by the county pursuant to subsection
869 (f) of this Section 2.1; or (iii) to any person as provided in subsection (h) of this Section
870 2.1.

871 (f) Substitute Depository. Upon the resignation of DTC or its successor (or any
872 substitute depository or its successor) from its functions as depository or a determination

873 by the county that it is no longer in the best interests of owners of beneficial interests in
874 the Bonds to continue the system of book-entry transfers through DTC or its successor
875 (or any substitute depository or its successor), the county may appoint a substitute
876 depository or terminate the use of a depository. Any such substitute depository must be
877 qualified under any applicable laws to provide the services proposed to be provided by it.

878 (g) Issuance of New Bonds to Successor/Substitute Depository. In the case of
879 any transfer pursuant to clause (i) or (ii) of subsection (e) of this Section 2.1, the
880 Registrar will, upon receipt of all Outstanding Bonds, together with a written request on
881 behalf of the county, issue a single new Bond registered in the name of such successor or
882 such substitute depository, or its nominee, as the case may be, all as specified in the
883 written request of the county.

884 (h) Termination of Book-Entry System. If (i) a Securities Depository resigns and
885 no substitute Securities Depository can be obtained, or (ii) the Finance Director
886 determines that it is in the best interests of the county or the Beneficial Owners of the
887 Bonds that they be able to obtain bond certificates, the ownership of the Bonds may then
888 be transferred to any person or entity as herein provided, and the Bonds will no longer be
889 held in a Book-Entry System. The county will deliver a written request to the Registrar,
890 together with a supply of definitive Bonds, to issue Bonds as herein provided in any
891 Authorized Denomination. Upon receipt of all then Outstanding Bonds by the Registrar,
892 together with a written request on behalf of the county to the Registrar, new Bonds will
893 be issued in such denominations and registered in the names of such persons as are
894 specified in such written request.

895 **SECTION 2.2. Denominations, Method of Payment, Authentication, and**
896 **Form of Bonds.**

897 (a) Registered Ownership. The Bonds shall be issued in the form of fully
898 registered Bonds in Authorized Denominations. Except as may be specifically set forth
899 herein, the Registrar, the Remarketing Agent, if any, and the county may treat the Owner
900 (including a Securities Depository or its nominee, if the Bonds are held in a Book-Entry
901 System) of a Bond as the absolute owner thereof for all purposes, whether or not such
902 Bond shall be overdue, and the county, Registrar, and Remarketing Agent, if any, will not
903 be affected by any knowledge or notice to the contrary; and payment of the principal of
904 and premium, if any, and interest on such Bond will be made only to such Owner, which
905 payments shall be valid and effectual to satisfy and discharge the liability of such Bond to
906 the extent of the sum or sums so paid. All Bonds at maturity or on earlier redemption
907 paid pursuant to the provisions of this Section shall be cancelled by the Registrar.

908 (b) Method of Payment of Bonds. The principal of and premium, if any, and
909 interest on the Bonds shall be payable in lawful money of the United States of America.
910 Unless otherwise provided in any writing with or from the Securities Depository, if any,
911 the interest on the Bonds shall be paid by the Paying Agent on the Interest Payment Dates
912 by wire transfer of immediately available funds to an account specified by the Owner in a
913 writing delivered to the Paying Agent. Any such specified account shall remain in effect
914 until revised by such Owner by an instrument in writing delivered to the Paying Agent.
915 The principal of and premium, if any, on each Bond shall be payable on the Principal
916 Payment Date, upon surrender thereof at the Principal Office of the Paying Agent.

917 (c) Form of Bonds; Execution. The Bonds shall each be in substantially the form
918 set forth on Attachment A to this ordinance, with appropriate or necessary insertions,
919 depending upon the omissions and variations as permitted or required hereby.

920 The Bonds shall be executed on behalf of the county by the manual or facsimile
921 signatures of the county executive and the clerk of the county council, and the official
922 seal of the county shall be reproduced thereon. The validity of any Bond so executed will
923 not be affected by the fact that one or more of the officers whose signatures appear on
924 that Bond have ceased to hold office at the time of issuance or authentication or at any
925 time thereafter.

926 (d) Authentication. No Bond shall be valid for any purpose hereunder until the
927 certificate of authentication printed thereon is duly executed by the manual signature of
928 an authorized signatory of the Registrar. Such authentication shall be proof that the
929 Owner is entitled to the benefit of the trusts hereby created.

930 (e) Lost, Mutilated or Destroyed Bonds. If any Bond shall become mutilated, the
931 Registrar shall authenticate and deliver a new Bond of like series, amount, date, interest
932 rate and tenor in exchange and substitution for the Bond so mutilated, upon the owner's
933 paying the expenses and charges of the county and the Registrar in connection therewith
934 and upon surrender to the Registrar of the Bond so mutilated. Every mutilated Bond so
935 surrendered shall be canceled and destroyed by the Registrar.

936 In case the Bonds or any of them shall be lost, stolen or destroyed, the Registrar
937 may authenticate and deliver a new Bond or Bonds of like series, amount, date, and tenor
938 to the Registered Owner thereof upon the owner's paying the expenses and charges of the
939 county and the Registrar in connection therewith and upon his/her filing with the

940 Registrar evidence satisfactory to the Registrar that such Bond or Bonds were actually
941 lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the county
942 and Registrar with indemnity satisfactory to the Finance Director and the Registrar.

943 **SECTION 2.3. Payment of Principal of and Interest on Bonds; Acceptance of**
944 **Terms and Conditions.**

945 (a) The interest on the Bonds shall become due and payable on the Interest
946 Payment Dates in each year to and including the Maturity Date, and on each Redemption
947 Date. The principal of the Bonds shall become due and payable on the Principal Payment
948 Dates.

949 (b) By the acceptance of its Bond, the Owner and each Beneficial Owner thereof
950 will be deemed to have agreed to all the terms and provisions of such Bond as specified
951 in such Bond and this ordinance including, without limitation, the applicable Interest
952 Periods, interest rates (including any applicable Alternate Rate), Purchase Dates,
953 Mandatory Purchase Dates, Purchase Prices, mandatory and optional purchase and
954 redemption provisions applicable to such Bond, method and timing of purchase,
955 redemption, payment, etc. Such Owner and each Beneficial Owner further agree that if,
956 on any date upon which one of its Bonds is to be purchased, redeemed or paid at maturity
957 or earlier due date, funds are on deposit with the Paying Agent or the Registrar to pay the
958 full amount due on such Bond, then such Owner or Beneficial Owner shall have no rights
959 under this ordinance other than to receive such full amount due with respect to such Bond
960 and that interest on such Bond shall cease to accrue as of such date.

961 (c) While any Bonds are Liquidity Provider Bonds, they will bear interest and be
962 payable at the times and in the amounts required under the Liquidity Facility.

963 **SECTION 2.4. Calculation and Payment of Interest; Change in Interest Rate**
964 **Mode; Maximum Rate.**

965 (a) When a Short-Term Mode is in effect, interest will be calculated on the basis
966 of a 365/366-day year for the actual number of days elapsed. When a LIBOR Index
967 Mode is in effect, interest will be calculated on the basis of a 360-day year for the actual
968 number of days elapsed. When a Term Rate Mode or Fixed Rate Mode is in effect,
969 interest will be calculated on the basis of a 360-day year comprised of twelve 30-day
970 months. Payment of interest on each Bond will be made on each Interest Payment Date
971 for that Bond for unpaid interest accrued during the Interest Accrual Period to the Owner
972 of record of that Bond on the applicable Record Date.

973 (b) Bonds in any Interest Rate Mode, other than a Fixed Rate Mode, may be
974 changed to any other Interest Rate Mode at the times and in the manner hereinafter
975 provided. After any such change in Interest Rate Mode (other than a change to a Fixed
976 Rate Mode), the Bonds may again be changed to a different Interest Rate Mode at the
977 times and in the manner hereinafter provided. A Fixed Rate Mode must be in effect until
978 the Maturity Date and may not be changed to any other Interest Rate Mode.

979 (c) No Bonds may bear interest at an interest rate higher than the Maximum Rate.

980 (d) In the absence of manifest error, the determination of interest rates (including
981 any determination of rates in connection with a New Mode) and interest periods by the
982 Remarketing Agent and the record of interest rates maintained by the Paying Agent shall
983 be conclusive and binding upon the Remarketing Agent, the Paying Agent, the Registrar,
984 the county, the Owners and the Beneficial Owners.

985 **SECTION 2.5. Determination of Flexible Rates and Interest Periods During**
986 **Flexible Mode.** An Interest Period for the Bonds in the Flexible Mode shall be of such
987 duration of from one to 270 calendar days, ending on a day preceding a Business Day or
988 the Maturity Date, as the Remarketing Agent shall determine in accordance with the
989 provisions of this Section. A Flexible Rate Bond can have an Interest Period, and bear
990 interest at a Flexible Rate, different from another Flexible Rate Bond. In making the
991 determinations with respect to Interest Periods, subject to limitations imposed by the
992 second preceding sentence and in Section 2.4 of this ordinance, on each Rate
993 Determination Date for a Flexible Rate Bond, the Remarketing Agent shall select for
994 such Bond the Interest Period that would result in the Remarketing Agent's being able to
995 remarket such Bond at par in the secondary market at the lowest average interest cost for
996 all Flexible Rate Bonds; provided, however, that if the Remarketing Agent has received
997 notice from the county that the Bonds are to be changed from the Flexible Mode to any
998 other Interest Rate Mode, the Remarketing Agent shall select Interest Periods that do not
999 extend beyond the resulting applicable Mandatory Purchase Date of the Bonds.

1000 Except while the Bonds are registered in a Book-Entry System, in order to receive
1001 payment of the Purchase Price the Owner of any Bond in the Flexible Mode must present
1002 such Bond to the Paying Agent, by 12:00 noon on the Rate Determination Date, in which
1003 case, the Paying Agent shall pay the Purchase Price to such Owner by 3:00 P.M. on the
1004 same day.

1005 By 1:00 P.M. on each Rate Determination Date, the Remarketing Agent, with
1006 respect to each Bond in the Flexible Mode that is subject to adjustment on such date,
1007 shall determine the Flexible Rate(s) for the Interest Periods then selected for such Bond

1008 and shall give notice by Electronic Means to the Paying Agent and the county of the
1009 Interest Periods, the Purchase Date(s) and the Flexible Rate(s). The Remarketing Agent
1010 shall make the Flexible Rate and Interest Period available after 2:00 P.M. on each Rate
1011 Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice
1012 Party requesting such information.

1013 **SECTION 2.6. Determination of Interest Rates During the Daily Mode and**
1014 **the Weekly Mode.** The interest rate for the Bonds in the Daily Mode or Weekly Mode
1015 shall be the rate of interest per annum determined by the Remarketing Agent on and as of
1016 the applicable Rate Determination Date as the minimum rate of interest that, in the
1017 opinion of the Remarketing Agent under then-existing market conditions, would result in
1018 the sale of the Bonds in the Daily Rate Period or Weekly Rate Period, as applicable, at a
1019 price equal to the principal amount thereof, plus interest, if any, accrued through the Rate
1020 Determination Date during the then current Interest Accrual Period.

1021 (a) During the Daily Mode, the Remarketing Agent shall establish the Daily Rate
1022 by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day during the
1023 Daily Mode which is not a Business Day shall be the Daily Rate established on the
1024 immediately preceding Rate Determination Date. The Remarketing Agent shall make the
1025 Daily Rate available no less frequently than once each week by Electronic Means to each
1026 Notice Party requesting such rate.

1027 (b) During the Weekly Mode, the Remarketing Agent shall establish the Weekly
1028 Rate by 4:00 P.M. on each Rate Determination Date. The Weekly Rate shall be in effect
1029 during the applicable Weekly Rate Period. The Remarketing Agent shall make the

1030 Weekly Rate available no later than 5:00 P.M. on the Business Day following the Rate
1031 Determination Date by Electronic Means to each Notice Party requesting such rate.

1032 (c) During the Weekly Mode, if permitted by the applicable Remarketing
1033 Agreement, the county may change the day of the week specified in clause (iii) (A) of the
1034 definition of "Rate Determination Date" for the Bonds, subject to the approval of the
1035 Remarketing Agent. The Remarketing Agent shall give 30 days' notice of any such
1036 change to the Notice Parties.

1037 **SECTION 2.7. Determination of Term Rates and Fixed Rates.**

1038 (a) Term Rates. Except as provided in Section 2.8 of this ordinance, once the
1039 Bonds are changed to the Term Rate Mode, the Bonds shall continue in the Term Rate
1040 Mode until changed to another Interest Rate Mode in accordance with Section 2.10 of
1041 this ordinance. The Term Rate shall be determined by the Remarketing Agent not later
1042 than 4:00 P.M. on the Rate Determination Date, and the Remarketing Agent shall make
1043 the Term Rate available by telephone or by Electronic Means to any Notice Party
1044 requesting such rate. The Term Rate shall be the minimum rate which, in the sole
1045 judgment of the Remarketing Agent, would result in a sale of the Bonds at a price equal
1046 to the principal amount thereof on the Rate Determination Date for the Interest Period
1047 selected by the county in writing delivered to the Remarketing Agent before such Rate
1048 Determination Date. If a new Interest Period is not selected by the county prior to a Rate
1049 Determination Date, the new Interest Period shall be the same length as the current
1050 Interest Period (or such lesser period as shall be necessary to comply with the last
1051 sentence of this paragraph). The Remarketing Agent shall make the Term Rate available
1052 by telephone or Electronic Means after 5:00 P.M. on the Rate Determination Date to any

1053 Notice Party requesting such Term Rate. Upon request of any Notice Party the Paying
1054 Agent shall give notice of such rate by Electronic Means. No Interest Period in the Term
1055 Rate Mode may extend beyond the applicable Maturity Date.

1056 (b) Fixed Rates. The Remarketing Agent shall determine the Fixed Rate for the
1057 Bonds being converted to the Fixed Rate Mode in the manner and at the times as follows:
1058 not later than 4:00 P.M. on the applicable Rate Determination Date, the Remarketing
1059 Agent shall determine the Fixed Rate (or Rates, if the Bonds will have Serial Maturity
1060 Dates in accordance with Section 2.10(b)(v) of this ordinance). Except as set forth in
1061 Section 2.10(b)(v) of this ordinance, the Fixed Rate shall be the minimum interest rate
1062 which, in the sole judgment of the Remarketing Agent, will result in a sale of the Bonds
1063 at a price equal to the principal amount thereof on the Rate Determination Date. The
1064 Remarketing Agent shall make the Fixed Rate available by telephone or by Electronic
1065 Means after 5:00 P.M. on the Rate Determination Date to any Notice Party requesting
1066 such Fixed Rate. Upon request of any Notice Party the Paying Agent shall give notice of
1067 such rate by Electronic Means. Subject to Section 2.10(b)(v) of this ordinance, the Fixed
1068 Rate so established shall remain in effect until the Maturity Date of such Bonds.

1069 SECTION 2.8. Alternate Rates. The following provisions shall apply if (i) the
1070 Remarketing Agent fails or is unable to determine the interest rate or Interest Period for
1071 the Bonds other than when the Bonds are in the LIBOR Index Mode, (ii) the method by
1072 which the Remarketing Agent determines the interest rate or Interest Period with respect
1073 to the Bonds (or the selection by the county of the Interest Periods for Bonds in the Term
1074 Rate Mode) shall be held to be unenforceable by a court of law of competent jurisdiction
1075 or (iii) if the Remarketing Agent suspends its remarketing effort in accordance with the

1076 Remarketing Agreement. These provisions shall continue to apply until such time as the
1077 Remarketing Agent (or the county if applicable) again makes such determinations. In the
1078 case of clause (ii) above, the Remarketing Agent (or the county, if applicable) shall again
1079 make such determination at such time as there is delivered to the Remarketing Agent and
1080 the county an opinion of Bond Counsel to the effect that there are no longer any legal
1081 prohibitions against such determinations. The following shall be the methods by which
1082 the interest rates and, in the case of the Flexible and Term Rate Modes, the Interest
1083 Periods, shall be determined for the Bonds as to which any of the events described in
1084 clauses (i), (ii) or (iii) shall be applicable. Such methods shall be applicable from and
1085 after the date any of the events described in clauses (i), (ii) or (iii) first become applicable
1086 to the Bonds until such time as the events described in clauses (i), (ii) or (iii) are no
1087 longer applicable to the Bonds. These provisions shall not apply if the county fails to
1088 select an Interest Period for the Bonds in the Term Rate Mode for a reason other than as
1089 described in clause (ii) above.

1090 (a) For Flexible Rate Bonds, the next Interest Period shall be from, and including,
1091 the first day following the last day of the current Interest Period for the Bonds to, but
1092 excluding, the next succeeding Business Day and thereafter shall commence on each
1093 Business Day and extend to, but exclude, the next succeeding Business Day. For each
1094 such Interest Period, the interest rate for the Bonds shall be the applicable Alternate Rate
1095 in effect on the Business Day that begins an Interest Period.

1096 (b) If the Bonds are in the Daily Mode or the Weekly Mode, then the Bonds shall
1097 bear interest during each subsequent Interest Period at the Alternate Rate in effect on the
1098 first day of such Interest Period.

1099 If the Bonds are then in the Term Rate Mode, then the Bonds shall automatically
1100 convert to Flexible Rate Bonds, with an Interest Period commencing on the first day
1101 following the last day of the current Interest Period for the Bonds to, but excluding, the
1102 next succeeding Business Day and thereafter shall commence on each Business Day and
1103 extend to, but exclude, the next succeeding Business Day. For each such Interest Period,
1104 the interest rate for the Bonds shall be the applicable Alternate Rate in effect at the
1105 beginning of each such Interest Period.

1106 SECTION 2.9. LIBOR Index Rates. (a) During each LIBOR Index Rate
1107 Period, the Bonds shall, subject to Section 2.9(e), (f) and (g) of this ordinance, bear
1108 interest at the LIBOR Index Rate. The Calculation Agent shall determine the LIBOR
1109 Index Rate on each Rate Determination Date during the LIBOR Index Rate Period, and
1110 such rate shall become effective on the first day of the LIBOR Interest Period next
1111 succeeding the Rate Determination Date, commencing on and including the first day of
1112 the applicable LIBOR Interest Period to but excluding the last day of such LIBOR
1113 Interest Period. The LIBOR Index Rate shall be rounded upward to the third decimal
1114 place.

1115 (b) Notice of Rates. Promptly following the determination of any Rate, the
1116 Remarketing Agent or the Calculation Agent, as applicable, shall give notice thereof to
1117 the Paying Agent. The county and any Owner or Beneficial Owner may obtain any
1118 interest rate on or after the applicable Rate Determination Date upon request to the
1119 Calculation Agent.

1120 (c) Determination of Rate Conclusive. The determination of any interest rate
1121 by the Calculation Agent shall be conclusive and binding upon the county, the Paying
1122 Agent and the Owners or Beneficial Owners absent manifest error.

1123 (d) No Liability. In determining the interest rate or rates that the Bonds shall
1124 bear as provided in this Section, the Calculation Agent shall not have any liability to the
1125 county, the Paying Agent, the Registrar or any Owner or Beneficial Owners except for its
1126 negligence or willful misconduct.

1127 (e) Interest on Unremarketed Bonds. Notwithstanding any other provision of
1128 this ordinance, each Unremarketed Bond shall bear interest for each day it is an
1129 Unremarketed Bond at a rate per annum equal to the Purchaser Rate for that day.

1130 (f) Adjustments to LIBOR Index Rates. From and after any Taxable Date,
1131 the interest rate on Bonds during a LIBOR Interest Rate Period shall be established at a
1132 rate at all times equal to the Taxable Rate.

1133 (g) Default Rate. Notwithstanding the foregoing but subject to the interest
1134 rate limitations of Section 2.9(a) of this ordinance, from and after the occurrence and
1135 during continuation of a Default, the interest rate for Bonds bearing interest at a LIBOR
1136 Index Rate and for Unremarketed Bonds shall be equal to the Default Rate.

1137 (h) Excess Interest. Anything herein to the contrary notwithstanding, if the
1138 rate of interest payable on the Bonds during a LIBOR Interest Rate Period or on
1139 Unremarketed Bonds shall exceed the Maximum Rate for any Interest Period, then (i)
1140 such Bonds shall bear interest at the Maximum Rate during such LIBOR Interest Rate
1141 Period and (ii) interest on such Bonds at the rate equal to the difference between (A) the
1142 rate of interest borne by such Bonds without regard to the Maximum Rate and (B) the

1143 Maximum Rate (the "Excess Interest") shall be deferred until such date as the rate of
1144 interest borne by such Bonds without regard to the Maximum Rate ceases to exceed the
1145 Maximum Rate, at which time such portion of the deferred Excess Interest shall be
1146 payable with respect to such Bonds as will cause the rate of interest then paid thereon to
1147 equal the Maximum Rate, which payments of deferred Excess Interest shall continue to
1148 apply until all deferred Excess Interest with respect to such Bonds is fully paid.

1149 (i) Redemption or Conversion. The county may by written notice to the
1150 Bank, at least 120 days prior to the Initial Bank Purchase Date or any subsequent Bank
1151 Purchase Date, optionally redeem or convert the Bonds to another Interest Rate Mode
1152 (including conversion to a new LIBOR Index Rate) to be effective on any interest
1153 payment date prior to the Initial Bank Purchase Date or subsequent Bank Purchase Date
1154 upon compliance with the applicable provisions hereof. At least 120 days prior to the
1155 Initial Bank Purchase Date or any subsequent Bank Purchase Date, the county may
1156 request that (i) the Bank continue holding the Bonds following the Initial Bank Purchase
1157 Date or subsequent Bank Purchase Date, as applicable, or (ii) provide liquidity or credit
1158 enhancement necessary to facilitate the conversion of the Bonds to such new Interest
1159 Rate Mode, and the Bank will respond to such request within sixty (60) days after receipt
1160 such request from the county. The Bank may, in its sole and absolute discretion, decide
1161 to accept or reject any such request, and no consent shall become effective unless the
1162 Bank has consented thereto in writing. If the Bank rejects such request or fails to
1163 definitively respond to such request within such sixty (60) day period, the Bank shall be
1164 deemed to have refused to grant such request and the county shall be required to
1165 repurchase the Bonds on the Initial Bank Purchase Date or subsequent Bank Purchase

1166 Date (unless the Bonds are converted to Unremarketed Bonds in accordance with the
1167 terms of the applicable Bank Purchase Agreement) for a purchase price of 100% of the
1168 par amount plus accrued interest to the Initial Bank Purchase Date or subsequent Bank
1169 Purchase Date, as applicable. The consent of the Bank, if granted, shall be conditioned
1170 upon the preparation, execution and delivery of documentation in form and substance
1171 satisfactory to the Bank. Notwithstanding the foregoing, the Applicable Factor and
1172 Applicable Spread with respect to the Bonds for the subsequent Interest Period shall be
1173 an Applicable Factor and Applicable Spread that permits the Bonds to be remarketed at
1174 par.

1175 SECTION 2.10. Changes in Interest Rate Mode. Subject to the provisions of
1176 this Section, and with respect to Bonds bearing interest at the LIBOR Index Rate, subject
1177 to the terms of the applicable Bank Purchase Agreement, the county may effect a change
1178 in Interest Rate Mode with respect to the Bonds by following the procedures set forth in
1179 this Section. If a change in Interest Rate Mode will make the Bonds subject to Rule
1180 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, it shall be
1181 a condition to the conversion that the county shall have executed a continuing disclosure
1182 undertaking satisfying the requirements of such Rule and shall cooperate with the
1183 Remarketing Agent, if any, and any Underwriter (as defined in such Rule) in satisfying
1184 the requirements of such Rule.

1185 (a) Changes to Interest Rate Modes Other Than to Fixed Rate Mode. All or a
1186 portion of the Bonds (other than Bonds in the Fixed Rate Mode) may be changed from
1187 one Interest Rate Mode to another Interest Rate Mode (other than the Fixed Rate Mode)
1188 as follows:

1189 (i) Conversion Notice; Notice to Owners. No later than a Business Day that is
1190 at least seven (7) Business Days prior to the date on which the Tender Agent is required
1191 to notify the registered owners (or such shorter time as may be agreed to by the county,
1192 the Registrar, the Tender Agent and the Remarketing Agent) preceding the proposed
1193 Conversion Date, the county shall give written notice to the Notice Parties of its intention
1194 to effect a change in the Interest Rate Mode from the Interest Rate Mode then prevailing
1195 (for purposes of this Section, the "Current Mode") to another Interest Rate Mode (for
1196 purposes of this Section, the "New Mode") specified in such written notice, and, if the
1197 change is to a Term Rate Mode, the length of the initial Interest Period as set by the
1198 county. Such notice shall be accompanied by a Favorable Opinion of Bond Counsel. In
1199 the case of a change to a Term Rate Mode or from one Term Rate Mode to another Term
1200 Rate Mode, the notice to the Notice Parties will also state whether a Liquidity Facility or
1201 Credit Enhancement will be in effect with respect to the Bonds following such change
1202 and the identity of any provider of such Liquidity Facility or Credit Enhancement.
1203 Notice of the proposed change in Interest Rate Mode will be given by the Tender Agent
1204 to the Owners of the Bonds not later than the 20th day next preceding the Conversion
1205 Date; provided, however, that no notice need be given for a Conversion Date occurring
1206 on the first Business Day following the last day of a Flexible Rate Period or Term Rate
1207 Mode or on a Substitution Date. Such notice shall state: (1) the Interest Rate Mode to
1208 which the conversion will be made and the Conversion Date; (2) in the case of a change
1209 from any Interest Rate Mode that the Bonds will be subject to mandatory purchase on the
1210 Conversion Date (regardless of whether all of the conditions to the change in the Interest
1211 Rate Mode are satisfied) and the Purchase Price of the Bonds; and (3) information with

1212 respect to required delivery of bond certificates and payment of Purchase Price, unless a
1213 Book-Entry System is in effect.

1214 (ii) Determination of Interest Rates. The New Mode shall commence on the
1215 Conversion Date and the interest rate(s) (together, in the case of a change to the Flexible
1216 Mode, with the Interest Period(s)) shall be determined by the Remarketing Agent (or the
1217 county in the case of the Interest Period for the Bonds converted to the Term Rate Mode)
1218 in the manner provided in Sections 2.5, 2.6 and 2.7 of this ordinance, as applicable. Such
1219 determination shall be conclusive and binding upon the county, the Registrar, and the
1220 Owners of the Bonds to which such rate will be applicable.

1221 (iii) Conditions Precedent:

1222 (A) The Conversion Date shall be:

1223 (1) in the case of a change from the Flexible Mode to another Interest
1224 Rate Mode, the next Mandatory Purchase Date for all of the Flexible Rate Bonds;

1225 (2) in the case of a change from the Daily, Weekly Mode or the LIBOR
1226 Index Mode to another Interest Rate Mode (other than to the Daily or Weekly Mode), any
1227 Interest Payment Date and in the case of a change from the Daily or Weekly Mode to the
1228 Daily or Weekly Mode, any Business Day; and

1229 (3) in the case of a change from the Term Rate Mode to another Interest
1230 Rate Mode, or from a Term Rate Period to a Term Rate Period of a different duration, or
1231 from a LIBOR Index Mode to another Interest Rate Mode, the Conversion Date shall be
1232 limited to any Interest Payment Date on which the Bonds are subject to optional
1233 redemption or to the last Interest Payment Date of the current Term Rate Period, as the
1234 case may be. Such Bonds shall be purchased on that Conversion Date at a Purchase Price

1235 equal to 100% of the principal amount thereof, provided that if such Bonds would
1236 otherwise be subject to optional redemption on such Conversion Date at a Redemption
1237 Price of more than 100% of the principal amount thereof, such Bonds shall be purchased
1238 at a Purchase Price equal to that Redemption Price.

1239 (B) If the Bonds to be converted are in the Flexible Mode, no Interest Period
1240 set after delivery by the county to the Remarketing Agent of the notice of the intention to
1241 effect a change in Interest Rate Mode shall extend beyond the day preceding the proposed
1242 Conversion Date.

1243 (C) The following items shall have been delivered to the Registrar, the
1244 Paying Agent, and the Remarketing Agent, if any, on or prior to each Conversion Date:

1245 (1) a Favorable Opinion of Bond Counsel dated the Conversion Date and
1246 addressed to the Notice Parties;

1247 (2) if there is to be a Liquidity Facility or an Alternate Liquidity Facility
1248 or a Credit Enhancement or an Alternate Credit Enhancement delivered in connection
1249 with such change, the items required by Section 3.13(d) of this ordinance; and

1250 (3) a Rating Confirmation Notice, or if the Conversion Date is a
1251 Mandatory Purchase Date, a notice from the Rating Agencies of the rating(s) to be
1252 assigned the Bonds on such Conversion Date.

1253 (D) It is a condition to the conversion of the Bonds from the LIBOR Index
1254 Mode that all Bonds being converted be remarketed on the Conversion Date.

1255 (b) Change to Fixed Rate Mode. At the option of the county, all or any portion of
1256 the Bonds bearing interest at a Daily Rate, a Weekly Rate, LIBOR Index Rate or a
1257 Flexible Rate (in an amount that is an Authorized Denomination for the new Rate Period)

1258 may be changed to the Fixed Rate Mode, as provided in this Section 2.10(b). On any
1259 Business Day which is at least seven (7) Business Days prior to the date on which the
1260 Paying Agent is required to notify the registered owners (or such shorter time as may be
1261 agreed to by the county, the Registrar and the Remarketing Agent, but in any event not
1262 less than the 20th day next preceding the Conversion Date) before the proposed
1263 Conversion Date, the county shall give written notice to the Notice Parties stating that the
1264 Interest Rate Mode will be changed to the Fixed Rate Mode and setting forth the
1265 proposed Conversion Date. Such notice shall also state whether or not there shall be
1266 Credit Enhancement with respect to the Bonds following such change and, if so, the
1267 identity of the Credit Provider. In addition, such notice shall state whether some or all of
1268 the Bonds to be converted shall be converted to Serial Bonds and, if so, the applicable
1269 Serial Maturity Dates and Serial Payments, all as determined pursuant to subsection (v)
1270 of this subsection (b). Such notice shall be accompanied by a Favorable Opinion of Bond
1271 Counsel. Any such change in Interest Rate Mode shall be made as follows:

1272 (i) Conversion Date. The Conversion Date shall be:

1273 (A) in the case of a change from the Flexible Mode, the next Mandatory
1274 Purchase Date for the Flexible Rate Bonds;

1275 (B) in the case of a change from the Daily or Weekly Mode or LIBOR Index
1276 Mode, any Interest Payment Date; and

1277 (C) in the case of a change from the Term Rate Mode or the LIBOR Index
1278 Mode, the Conversion Date shall be limited to any Interest Payment Date on which the
1279 Bonds are subject to optional redemption or to the next Mandatory Purchase Date for the
1280 Term Rate Bonds, as the case may be. Such Bonds shall be purchased on such

1281 Conversion Date at a Purchase Price equal to 100% of the principal amount thereof;
1282 provided, however, that if such Bonds would otherwise be subject to optional redemption
1283 on such Conversion Date at a Redemption Price of more than 100% of the principal
1284 amount thereof, such Bonds shall be purchased at a Purchase Price equal to such
1285 Redemption Price.

1286 (ii) Notice to Owners. Not later than the 20th day next preceding the
1287 Conversion Date, the Paying Agent shall mail, in the name of the county, a notice of such
1288 proposed change to the Owners of the Bonds stating that the Interest Rate Mode will be
1289 changed to the Fixed Rate Mode and the proposed Conversion Date. Such notice shall
1290 also state that such Owner is required to tender such Owner's Bonds for purchase on such
1291 proposed Conversion Date regardless of whether all of the conditions to the change to the
1292 Fixed Rate Mode are satisfied.

1293 (iii) General Provisions Applying to Change to Fixed Rate Mode. The change
1294 to the Fixed Rate Mode shall not occur unless the following items shall have been
1295 delivered to the county, the Registrar, the Credit Provider, if any, and the Remarketing
1296 Agent, if any, on or prior to the Conversion Date:

1297 (A) a Favorable Opinion of Bond Counsel dated the Conversion Date and
1298 addressed to the county, the Registrar and the Remarketing Agent, if any;

1299 (B) if there is to be Credit Enhancement delivered in connection with such
1300 change, the items required by Section 3.13(d) of this ordinance in connection with the
1301 delivery of an Alternate Credit Enhancement, and

1302 (C) notice from the Rating Agencies of the rating(s) to be assigned the
1303 Bonds on such Conversion Date.

1304 (iv) Determination of Interest Rate. The Fixed Rate (or rates in the case of
1305 Serial Bonds) for the Bonds to be converted to the Fixed Rate Mode shall be established
1306 by the Remarketing Agent on the Rate Determination Date applicable thereto pursuant to
1307 the provisions of Section 2.7(b) of this ordinance. Such Rate shall remain in effect until
1308 the Maturity Date of the Bonds.

1309 Such determination shall be conclusive and binding upon the county, the
1310 Registrar, the Credit Provider, if any, and the Owners of the Bonds to which such rate
1311 will be applicable. Not later than 5:00 P.M. on the date of determination of the Fixed
1312 Rate, the Remarketing Agent shall provide notice of such rate to the Registrar by
1313 Electronic Means and to the Credit Provider and the county by telephone.

1314 (v) Serialization and Sinking Fund; Price. Upon conversion of the Bonds to
1315 the Fixed Rate Mode, the Bonds shall be remarketed at par, shall mature on the same
1316 Maturity Date(s) and be subject to the same mandatory sinking fund redemption, if any,
1317 and special redemption provisions, if any, as set forth in this ordinance for any prior
1318 Interest Rate Mode; provided, however, that if the county shall deliver to the Registrar a
1319 Favorable Opinion of Bond Counsel, the county may elect to (1) have some of the Bonds
1320 be Serial Bonds and some subject to sinking fund redemption even if such Bonds were
1321 not Serial Bonds or subject to mandatory sinking fund redemption prior to such change,
1322 (2) change the optional redemption dates and/or premiums set forth in Section 3.3(b) of
1323 this ordinance, and/or (3) sell some or all of the Bonds at a premium or a discount to par.

1324 (c) Failure to Satisfy Conditions Precedent to an Interest Rate Conversion. If the
1325 conditions described above in subsections (a) or (b) of this Section 2.10, as applicable,
1326 have not been satisfied by the applicable Conversion Date, then the New Mode will not

1327 take effect (although, except in the case of a failed conversion from the LIBOR Index
1328 Mode, any mandatory purchase will be made on such date if notice has been sent to the
1329 Owners stating that such Bonds would be subject to mandatory purchase on such date).
1330 If the failed change in Interest Rate Mode was from the Flexible Mode, the Bonds shall
1331 remain in the Flexible Mode with interest rates and Interest Periods to be established by
1332 the Remarketing Agent on the failed Conversion Date in accordance with Section 2.5 of
1333 this ordinance. If the failed change in Interest Rate Mode was from the Daily Mode, the
1334 Bonds shall remain in the Daily Mode, and if the failed change in Interest Rate Mode was
1335 from the Weekly Mode, the Bonds shall remain in the Weekly Mode, in each case with
1336 interest rates established in accordance with the applicable provisions of Section 2.6 of
1337 this ordinance on and as of the failed Conversion Date. If the failed change in Interest
1338 Rate Mode was from the Term Rate Mode, then the Bonds shall stay in the Term Rate
1339 Mode for an Interest Period ending on the following Interest Payment Date for the Bonds
1340 in the Term Rate Mode, and the interest rate shall be established by the Remarketing
1341 Agent on the failed Conversion Date in accordance with Section 2.7(a) of this ordinance.
1342 If the failed change in Interest Rate Mode was from the LIBOR Index Mode, then the
1343 Bonds will not be subject to mandatory tender, and the Bonds will remain in the LIBOR
1344 Index Mode, with interest rates established in accordance with the applicable provisions
1345 of Section 2.9 of this ordinance on and as of the failed Conversion Date.

1346 (d) Rescission of Election. Notwithstanding anything herein to the contrary, the
1347 county may rescind any election by it to change an Interest Rate Mode as described
1348 above prior to the Conversion Date by giving written notice thereof to the Notice Parties
1349 prior to 10:00 A.M. on the Business Day preceding such Conversion Date. If the Tender

1350 Agent receives notice of such rescission prior to the time the Tender Agent has given
1351 notice to the Owners of the Bonds, then such notice of change in Interest Rate Mode shall
1352 be of no force and effect. If the Tender Agent receives notice from the county of
1353 rescission of an Interest Rate Mode change after the Tender Agent has given notice
1354 thereof to the Owners of the Bonds, then if the proposed Conversion Date would have
1355 been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase
1356 Date except if the conversion is from the LIBOR Index Mode. If the proposed change in
1357 Interest Rate Mode was from the Flexible Mode, the Bonds shall remain in the Flexible
1358 Mode with interest rates and Interest Periods to be established by the Remarketing Agent
1359 on the proposed Conversion Date in accordance with Section 2.5 of this ordinance. If the
1360 proposed change in Interest Rate Mode was from the Daily Mode, the Bonds shall remain
1361 in the Daily Mode, and if the proposed change in Interest Rate Mode was from the
1362 Weekly Mode, the Bonds shall remain in the Weekly Mode, in each case with interest
1363 rates established in accordance with the applicable provisions of Section 2.6 of this
1364 ordinance on and as of the proposed Conversion Date. If the proposed change in Interest
1365 Rate Mode was from the Term Rate Mode, then the Bonds shall stay in the Term Rate
1366 Mode for an Interest Period ending on the following Interest Payment Date for the Bonds
1367 in the Term Rate Mode, and the interest rate shall be established by the Remarketing
1368 Agent on the proposed Conversion Date in accordance with Section 2.7(a) of this
1369 ordinance. If the Remarketing Agent is unable to determine the interest rate on the
1370 proposed Conversion Date, the provisions of Section 2.8 of this ordinance shall apply in
1371 effect at the beginning of each such Interest Period. If the proposed change in Interest
1372 Rate Mode was from the LIBOR Index Mode, the Bonds shall remain in the LIBOR

1373 Index Mode, with interest rates established in accordance with the applicable provisions
1374 of Section 2.9 of this ordinance on and as of the proposed Conversion Date.

1375 **ARTICLE III**

1376 **REDEMPTION AND PURCHASE OF BONDS BEFORE MATURITY**

1377 **SECTION 3.1. Optional Redemption of Flexible Rate Bonds.** Bonds in the
1378 Flexible Mode are not subject to optional redemption prior to their respective Purchase
1379 Dates. Bonds in the Flexible Mode shall be subject to redemption at the option of the
1380 county in whole or in part on their respective Purchase Dates at a redemption price equal
1381 to the principal amount thereof.

1382 **SECTION 3.2. Optional Redemption of Bonds in the Daily Mode or the**
1383 **Weekly Mode.** Bonds in the Daily Mode or the Weekly Mode are subject to optional
1384 redemption by the county, in whole or in part (and if in part, with any Liquidity Provider
1385 Bonds redeemed first), in Authorized Denominations on any Business Day, at a
1386 redemption price equal to the principal amount thereof, plus, accrued interest, if any, to
1387 the Redemption Date. Liquidity Provider Bonds shall be redeemed in accordance with
1388 the applicable Reimbursement Agreement. So long as a Credit Enhancement is in effect
1389 for Bonds in the Daily Mode or Weekly Mode, no optional redemption of such Bonds
1390 shall be permitted without (i) the prior written consent of the Credit Provider or (ii) the
1391 deposit by the county with the Registrar on or prior to the Redemption Date of funds
1392 sufficient to reimburse the Credit Provider for the draw on the Credit Enhancement to pay
1393 the Redemption Price for such Bonds.

1394 **SECTION 3.3. Optional Redemption of Bonds in the Term Rate or the Fixed**
1395 **Rate Mode.**

1396 (a) Bonds in a Term Rate Mode shall be subject to redemption, in whole or in
1397 part, on their individual Mandatory Purchase Dates, at the option of the county at a
1398 redemption price equal to the principal amount thereof.

1399 (b) The county, in connection with a change to a Long-Term Mode, may
1400 establish the redemption provisions for any such Bonds so changed to a Long-Term
1401 Mode at any time without premium; provided that notice describing such provisions shall
1402 be submitted to the Paying Agent, the Registrar and the Remarketing Agent, together
1403 with a Favorable Opinion of Bond Counsel, addressed to them.

1404 **SECTION 3.4. Redemption of Bonds in the LIBOR Index Mode.**

1405 (a) Optional Redemption. Bonds in the LIBOR Index Mode are subject to
1406 redemption prior to their stated maturity, at the option of the county, in whole or in part,
1407 at a redemption price equal to the principal amount thereof, in such amounts as may be
1408 specified by the county on any Interest Payment Date, subject to any limitations or
1409 conditions set forth in the Bank Purchase Agreement.

1410 (b) Mandatory Redemption of Unremarketed Bonds. Unremarketed Bonds shall
1411 be redeemed on the dates, at the prices, and in the amounts set forth in the applicable
1412 Bank Purchase Agreement.

1413 **SECTION 3.5. Notice and Effect of Redemption.**

1414 (a) Timing of Notice. The county shall give the Registrar sufficient notice of any
1415 redemption of Bonds to permit the Registrar to give notice to the Securities Depository at
1416 least 30 days prior to the proposed Redemption Date for Bonds in any Long-Term Mode
1417 and at least 15 days prior to the proposed Redemption Date for Bonds in any Short-Term
1418 Mode. While the Bonds are in certificated form, the Registrar will give written notice of

1419 any redemption of Bonds by first class mail, postage prepaid, not less than 30 days (for
1420 Bonds in any Long-Term Mode) or not less than 15 days (for Bonds in any Short-Term
1421 Mode) nor more than 60 days before the proposed Redemption Date to the registered
1422 owners of Bonds that are to be redeemed at their last addresses shown on the Bond
1423 Register. While the Bonds are held in a Book Entry-System, notice of any redemption
1424 will be provided in accordance with the operational arrangements of the Securities
1425 Depository referred to in the Letter of Representations, and, except as provided in an
1426 undertaking to provide continuing disclosure under the Rule, the county will provide no
1427 additional published or other notice.

1428 (b) Contents of Notice. Each notice of redemption shall state: (1) the
1429 Redemption Date, (2) the Redemption Price, (3) the CUSIP numbers of the Bonds being
1430 redeemed, (4) if less than all outstanding Bonds are to be redeemed, identification
1431 information and principal amounts of the Bonds to be redeemed, (5) the dated date of the
1432 Bonds, (6) the rate of interest for each Bond being redeemed, (7) that the Bonds are to be
1433 surrendered for payment at the principal office of the Registrar, (8) any condition to such
1434 redemption, (9) that on the Redemption Date, upon the satisfaction of any such condition,
1435 the Redemption Price will become due and payable upon each Bond or portion called for
1436 redemption and interest shall cease to accrue from the Redemption Date, (10) the date of
1437 the notice, and (11) any other information needed to identify the Bonds being redeemed.
1438 The requirements of this Section are deemed complied with when notice is mailed,
1439 whether or not it is actually received by the owner.

1440 (c) Notice of Redemption on Mandatory Purchase Date. Notwithstanding
1441 anything herein to the contrary, no notice of redemption is required to be given for a
1442 redemption occurring on a Mandatory Purchase Date.

1443 (d) Effect of Redemption. Unless any condition for redemption is not satisfied,
1444 the county will provide funds to the Registrar that, in addition to other money, if any,
1445 held by the Registrar, will be sufficient to redeem on the Redemption Date all Bonds to
1446 be redeemed. From the Redemption Date, interest on all such paid and redeemed Bonds
1447 will cease to accrue.

1448 **SECTION 3.6. Optional Tenders of Bonds in the Daily Mode or the Weekly**
1449 **Mode.** Subject to Section 3.11 of this ordinance, the Beneficial Owners of Bonds in a
1450 Daily Mode or a Weekly Mode may elect to have their Bonds (or portions of those Bonds
1451 in amounts equal to an Authorized Denominations) purchased on any Business Day at a
1452 price equal to the Purchase Price, upon delivery of a Tender Notice to the Tender Agent
1453 by the Tender Notice Deadline. Immediately upon receipt of a Tender Notice, the Tender
1454 Agent shall notify the Remarketing Agent and provide the Remarketing Agent with a
1455 copy of such Tender Notice.

1456 **SECTION 3.7. Mandatory Purchase on Mandatory Purchase Date.** The
1457 Bonds shall be subject to mandatory purchase on each Mandatory Purchase Date. The
1458 Tender Agent shall give notice of such mandatory purchase by mail to the Owners of the
1459 Bonds subject to mandatory purchase no less than 20 days prior to the Mandatory
1460 Purchase Date described in clauses (iii), (iv), (v), (vi), (viii), (ix), (x) and (xi) of the
1461 definition of Mandatory Purchase Date and no less than 3 days prior to the Mandatory
1462 Purchase Date described in clause (vii) of the definition of Mandatory Purchase Date. No

1463 notice shall be given of the Mandatory Purchase Date at the end of each Interest Period
1464 for Flexible Rate Bonds or at the end of Term Rate Period for Bonds in the Term Rate
1465 Mode. Any notice shall state the Mandatory Purchase Date, the Purchase Price, the
1466 numbers of the Bonds to be purchased if less than all of the Bonds owned by such Owner
1467 are to be purchased, and that interest on Bonds subject to mandatory purchase shall cease
1468 to accrue from and after the Mandatory Purchase Date. The failure to mail such notice
1469 with respect to any Bond shall not affect the validity of the mandatory purchase of any
1470 other Bond with respect to which notice was so mailed. Any notice mailed will be
1471 conclusively presumed to have been given, whether or not actually received by any
1472 Owner or Beneficial Owner. The Tender Agent shall also give a copy of such notice to
1473 the Rating Agencies.

1474 **SECTION 3.8. Remarketing of Bonds; Notices.**

1475 (a) Remarketing of Bonds. The Remarketing Agent shall use its best efforts
1476 pursuant to the terms and conditions of the Remarketing Agreement to offer for sale at
1477 par up to the Maximum Rate:

1478 (i) all Bonds or portions thereof as to which notice of tender pursuant to
1479 Section 3.6 of this ordinance has been given;

1480 (ii) all Bonds required to be purchased on a Mandatory Purchase Date
1481 described in clauses (i), (ii), (iii), (iv), (v), (vii), (viii), (ix), (x) or (xi) of the definition
1482 thereof;

1483 (iii) any Liquidity Provider Bonds (A) purchased on a Purchase Date described
1484 in clause (i) or (ii) above, (B) with respect to which the Liquidity Provider has provided
1485 notice to the Registrar and the Remarketing Agent that it has reinstated the Available

1486 Amount, (C) with respect to which an Alternate Liquidity Facility and Alternate Credit
1487 Enhancement is in effect (if such bonds were secured by a Credit Enhancement prior to
1488 becoming Liquidity Provider Bonds which Credit Enhancement is no longer in effect), or
1489 (D) that are being marketed as Fixed Rate Bonds; and

1490 (iv) any County Bonds; provided, however, that the Remarketing Agent will
1491 not remarket Bonds held by or for the account of the county, or any affiliate of the
1492 county, without a Favorable Opinion of Bond Counsel addressed to the county, the
1493 Registrar and the Remarketing Agent. In connection with the remarketing of any Bonds
1494 with respect to which notice of redemption or notice of mandatory purchase has been
1495 given, the Remarketing Agent will notify each person to which such Bonds are
1496 remarketed of such notice of redemption or notice of mandatory purchase.

1497 (b) Notice of Remarketing; Registration Instructions; New Bonds. On each date
1498 on which a Bond is to be purchased:

1499 (i) the Remarketing Agent shall notify by Electronic Means the Tender Agent
1500 by 12:00 noon of the principal amount of tendered Bonds it has remarketed;

1501 (ii) unless the Remarketing Agent has delivered the notice described in clause
1502 (i) above, the Remarketing Agent shall notify the Tender Agent by Electronic Means not
1503 later than 1:00 P.M. of such information as may be necessary to register and deliver
1504 Bonds remarketed with respect thereto;

1505 (iii) the Remarketing Agent shall cause the proceeds of the remarketing by
1506 such Remarketing Agent of tendered Bonds to be paid to the Tender Agent in
1507 immediately available funds not later than 12:15 P.M. on the Purchase Date for such
1508 Bonds; and

1509 (iv) if the Bonds are no longer in the Book-Entry System, the Tender Agent
1510 shall authenticate new Bonds for the respective purchasers thereof, which shall be
1511 available for pick-up by the Remarketing Agent not later than 2:30 P.M.

1512 (c) Draw on Liquidity Facility. On each date on which a Bond is to be
1513 purchased, (i) if the Remarketing Agent has given notice to the Tender Agent pursuant to
1514 clause (b)(i) above that it has been unable to remarket any of the Bonds or (ii) if the
1515 Tender Agent has not received from the Remarketing Agent an amount sufficient to pay
1516 the Purchase Price of tendered Bonds, by 12:00 Noon on the Purchase Date, then the
1517 Tender Agent shall direct the Registrar (if the two are separate entities) to draw on the
1518 Liquidity Facility (or if no Liquidity Facility is in effect, request funds from the county)
1519 by 12:00 Noon in an amount equal to the Purchase Price of all such Bonds that have not
1520 been successfully remarketed, requesting payment not later than 2:30 P.M. on the
1521 Purchase Date. If a Liquidity Facility is in effect, the Registrar shall also give the county
1522 notice by 2:30 P.M. on the Purchase Date if it does not have funds in the Remarketing
1523 Proceeds Account and the Liquidity Facility Purchase Account sufficient to pay the
1524 Purchase Price of Bonds tendered on such Purchase Date. Any draw on a Liquidity
1525 Facility to be made on a Substitution Date shall be on the Liquidity Facility being
1526 replaced. In no event shall the Liquidity Facility be drawn on to purchase any Liquidity
1527 Provider Bonds or any County Bonds.

1528 SECTION 3.9. Source of Funds for Purchase of Bonds. By 3:00 P.M. on the
1529 date on which a Bond is to be purchased, and except as set forth in Section 3.11(b)(ii) of
1530 this ordinance, the Tender Agent shall purchase tendered Bonds from the tendering
1531 Owners at the applicable Purchase Price by wire transfer in immediately available funds.

1532 Funds for the payment of such Purchase Price shall be derived solely from the following
1533 sources (delivered by the Registrar to the Tender Agent, if the two are separate entities)
1534 in the order of priority indicated and none of the Tender Agent, the Registrar nor the
1535 Remarketing Agent shall be obligated to provide funds from any other source:

1536 (a) immediately available funds on deposit in the Remarketing Proceeds
1537 Account;

1538 (b) immediately available funds on deposit in the Liquidity Facility Purchase
1539 Account; and

1540 (c) money of the county on deposit in the County Purchase Account.

1541 If no Liquidity Facility is in effect, then the county shall be obligated to deposit
1542 amounts into the County Purchase Account sufficient to pay the Purchase Price to the
1543 extent that amounts on deposit in the Remarketing Proceeds Account are insufficient
1544 therefor. If a Liquidity Facility is in effect, then the county may, but is not obligated to,
1545 deposit amounts into the County Purchase Account sufficient to pay the Purchase Price to
1546 the extent that amounts on deposit in the Remarketing Proceeds Account and the
1547 Liquidity Facility Purchase Account are insufficient therefor. For purposes of this
1548 paragraph, a Liquidity Facility shall be deemed to be in effect so long as the Liquidity
1549 Provider is contractually obligated to honor future draws on the Liquidity Facility
1550 pursuant to Section 3.8(c) of this ordinance, even if the Liquidity Provider in fact has
1551 failed to honor past draws on the Liquidity Facility and has declared its intent not to
1552 honor future draws on the Liquidity Facility or otherwise is in breach of its obligations
1553 under the Liquidity Facility.

1554 **SECTION 3.10. Delivery of Bonds.** On each date on which a Bond is to be
1555 purchased, such Bond shall be delivered as follows:

1556 (a) Bonds sold by the Remarketing Agent and described in Section 3.9(a) of this
1557 ordinance shall be delivered by the Remarketing Agent to the purchasers of such Bonds
1558 by 3:00 P.M.;

1559 (b) Bonds purchased by the Tender Agent with money described in Section
1560 3.9(b) of this ordinance shall be registered immediately in the name of the Liquidity
1561 Provider or its nominee (which may be the Securities Depository) on or before 3:00 P.M.;

1562 and

1563 (c) Bonds purchased by the county with money described in Section 3.9(c) of this
1564 ordinance shall be registered, immediately in the name of the county or its nominee on or
1565 before 3:00 P.M. Bonds so owned by the county shall continue to be Outstanding under
1566 the terms of this ordinance and be subject to all of the terms and conditions of this
1567 ordinance and shall be subject to remarketing by the Remarketing Agent.

1568 **SECTION 3.11. Book-Entry Tenders.**

1569 (a) Notwithstanding any other provision of this Article III to the contrary, all
1570 tenders for purchase during any period in which the Bonds are registered in the name of
1571 Cede & Co. (or the nominee of any successor Securities Depository) shall be subject to
1572 the terms and conditions set forth in the Letter of Representations and to any regulations
1573 promulgated by DTC (or any successor Securities Depository). For so long as the Bonds
1574 are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of
1575 Owners of Bonds may be exercised only by DTC by giving notice of its election to tender
1576 Bonds or portions thereof at the times and in the manner described above. Beneficial

1577 Owners will not have any rights to tender Bonds directly to the Tender Agent.
1578 Procedures under which a Beneficial Owner may direct a Direct DTC Participant or
1579 DTC, or an Indirect DTC Participant acting through a Direct DTC Participant, to exercise
1580 a tender option right in respect of Bonds or portions thereof in an amount equal to all or a
1581 portion of such Beneficial Owner's beneficial ownership interest therein shall be
1582 governed by standing instructions and customary practices determined by such Direct
1583 DTC Participant or Indirect DTC Participant. For so long as the Bonds are registered in
1584 the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered
1585 for purchase shall be effected by the transfer on the applicable Purchase Date of a book-
1586 entry credit to the account of the Tender Agent of a beneficial interest in such Bonds.

1587 (b) Notwithstanding anything expressed or implied herein to the contrary, so long
1588 as the Book-Entry System for the Bonds is maintained:

1589 (i) there shall be no requirement of physical delivery to or by the Tender
1590 Agent, the Remarketing Agent or the Registrar of:

1591 (A) any Bonds subject to mandatory or optional purchase as a condition to
1592 the payment of the Purchase Price therefor;

1593 (B) any Bonds that have become Liquidity Provider Bonds; or

1594 (C) any remarketing proceeds of such Bonds or Liquidity Provider Bonds;

1595 and

1596 (ii) except as provided in subsection (b)(iii) below, none of the Registrar, the
1597 Tender Agent nor the Paying Agent shall have any responsibility for paying the Purchase
1598 Price of any tendered Bond or for remitting remarketing proceeds to any person; and

1599 (iii) the Tender Agent's sole responsibilities in connection with the purchase
1600 and remarketing of a tendered Bond shall be to:

1601 (A) draw upon the applicable Liquidity Facility if the Remarketing Agent
1602 notifies the Tender Agent as provided herein that such Bond has not been remarketed on
1603 or before the Purchase Date therefor, which draw shall be in an amount equal to the
1604 difference between such Purchase Price and any remarketing proceeds received by the
1605 Remarketing Agent in connection with a partial remarketing of such Bond, and to remit
1606 the amount so drawn to or upon the order of the Securities Depository for the benefit of
1607 the tendering Beneficial Owners; and

1608 (B) remit any proceeds derived from the remarketing of a Liquidity Provider
1609 Bond to the Liquidity Provider.

1610 **SECTION 3.12. No Book-Entry System.** When the Bonds are not held in a
1611 Book-Entry System, the following procedures shall be followed:

1612 (a) Bonds shall be delivered (with all necessary endorsements) at or before 12:00
1613 noon on the Purchase Date at the Principal Office of the Paying Agent; provided,
1614 however, that payment of the Purchase Price shall be made pursuant to this Section only
1615 if the Bond so delivered to the Paying Agent conforms in all respects to the description
1616 thereof in the notice described in this Section. Payment of the Purchase Price with
1617 respect to purchases under this Section shall be made to the Owners of tendered Bonds by
1618 wire transfer in immediately available funds by the Paying Agent by 3:00 P.M. on the
1619 Purchase Date.

1620 (b) If a Bond to be purchased is not delivered by the Owner to the Paying Agent
1621 by 12:00 noon on the date on which that Bond is to be purchased, the Paying Agent shall

1622 hold any funds received for the purchase of those Bonds in the Purchase Fund in trust and
1623 shall pay such funds to the former Owners of the Bonds upon presentation of the Bonds.
1624 Such undelivered Bonds shall cease to accrue interest as to the former Owners on such
1625 purchase date and money representing the Purchase Price shall be available against
1626 delivery of those Bonds at the Principal Office of the Paying Agent; provided, however,
1627 that any funds which shall be so held by the Paying Agent and which remain unclaimed
1628 by the former Owner of a Bond not presented for purchase for a period of three years
1629 after delivery of such funds to the Paying Agent, shall, to the extent permitted by law,
1630 upon request in writing by the county and the furnishing of security or indemnity to the
1631 Paying Agent's satisfaction, be paid to the county free of any trust or lien and thereafter
1632 the former Owner of such Bond shall look only to the county and then only to the extent
1633 of the amounts so received by the county without any interest thereon, and the Paying
1634 Agent shall have no further responsibility with respect to such money or payment of the
1635 purchase price of such Bonds. The Paying Agent shall authenticate a replacement Bond
1636 for any undelivered Bond that may then be remarketed by the Remarketing Agent.

1637 (c) The Paying Agent shall hold all Bonds properly tendered to it for purchase
1638 hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners
1639 of the Bonds which shall have so tendered such Bonds until money representing the
1640 Purchase Price of such Bonds shall have been delivered to or for the account of or to the
1641 order of such Owners.

1642 **SECTION 3.13. Credit Enhancement and Liquidity Facility.**

1643 (a) A Credit Enhancement will not initially be provided for the Bonds. From
1644 time to time while the Bonds remain outstanding, the county may elect to provide a

1645 Credit Enhancement with respect to the Bonds (but not during a LIBOR Index Rate
1646 Period). While a Credit Enhancement is in effect with respect to the Bonds, the Registrar
1647 shall, on the Business Day preceding each Interest Payment Date and Principal Payment
1648 Date, before 4:00 P.M. on such day, draw on the Credit Enhancement in accordance with
1649 the terms thereof so as to receive thereunder by 1:00 P.M. on said Interest Payment Date
1650 and Principal Payment Date, an amount, in immediately available funds, equal to the
1651 amount of interest and principal payable on the Bonds on such Interest Payment Date and
1652 Principal Payment Date. The proceeds of such draws shall be applied to pay principal of
1653 and interest on the Bonds prior to the application of any other funds held by the Registrar
1654 therefor. Such amounts shall be held uninvested and separate and apart from all other
1655 funds.

1656 From time to time while the Bonds remain outstanding, upon delivery to the
1657 Registrar of a Favorable Opinion of Bond Counsel, the county may elect to terminate a
1658 Credit Enhancement with respect to the Bonds without obtaining an Alternate Credit
1659 Enhancement, and such Bonds would then be subject to mandatory tender on the
1660 Mandatory Purchase Date described in clause (v) of the definition of Mandatory Purchase
1661 Date.

1662 (b) A Liquidity Facility will not initially be provided for the Bonds. While a
1663 Liquidity Facility is in effect with respect to the Bonds, on each date on which a Bond is
1664 to be purchased, the Tender Agent, by demand given by Electronic Means before 12:00
1665 Noon, shall draw on the Liquidity Facility in accordance with the terms thereof so as to
1666 receive thereunder by 2:30 P.M. on such date an amount, in immediately available funds,
1667 sufficient, together with the proceeds of the remarketing of Bonds on such date, to enable

1668 the Tender Agent to pay the Purchase Price in connection therewith. The proceeds of
1669 such draw shall be paid to the Tender Agent, who shall deposit said proceeds in the
1670 Liquidity Facility Purchase Account pursuant to Section 3.14(b) of this ordinance.

1671 From time to time while the Bonds remain outstanding, upon delivery to the
1672 Registrar of a Favorable Opinion of Bond Counsel, the county may elect to terminate a
1673 Liquidity Facility with respect to the Bonds without obtaining an Alternate Liquidity
1674 Facility, and such Bonds would then be subject to mandatory tender on the Mandatory
1675 Purchase Date described in clause (v) of the definition of Mandatory Purchase Date.

1676 (c) Notwithstanding the foregoing paragraphs of this Section, if a Credit Provider
1677 and Liquidity Provider are the same entity, the Registrar shall not draw on the Credit
1678 Enhancement with respect to any payments due or made in connection with Liquidity
1679 Provider Bonds. In no event shall the Registrar draw on the Credit Enhancement with
1680 respect to any payments made or made in connection with Bonds not covered by the
1681 Credit Enhancement or Bonds listed on the Bond Register as owned by the county.

1682 (d) The county may provide an Alternate Credit Enhancement or Alternate
1683 Liquidity Facility on any day on which the Bonds could otherwise be subject to
1684 redemption at par not later than the fifth (5th) Business Day prior to the Expiration Date
1685 of the Credit Enhancement or Liquidity Facility then in effect. The county shall give the
1686 Notice Parties written notice of the proposed substitution of an Alternate Credit
1687 Enhancement or Alternate Liquidity Facility no less than 2 Business Days prior to the
1688 date on which the Registrar is required to provide notice of the proposed substitution to
1689 the Owners of the Bonds. The Registrar shall give notice of such Substitution Date in
1690 accordance with Section 3.7 of this ordinance. On or before the Substitution Date there

1691 shall be delivered to the Registrar or the Tender Agent, as applicable (i) the Alternate
1692 Credit Enhancement or the Alternate Liquidity Facility in substitution for the Credit
1693 Enhancement or Liquidity Facility then in effect, (ii) a Favorable Opinion of Bond
1694 Counsel, (iii) a written Opinion of Counsel for the provider of the Alternate Credit
1695 Enhancement or Alternate Liquidity Facility, as applicable, to the effect that such
1696 Alternate Credit Enhancement or Alternate Liquidity Facility is a valid, legal and binding
1697 obligation of the provider thereof, and (iv) unless waived by such entity in a writing
1698 delivered to the Registrar or the Tender Agent, as applicable, written evidence
1699 satisfactory to the Credit Provider and the Liquidity Provider of the provision for
1700 purchase from the Liquidity Provider of all Liquidity Provider Bonds, at a price equal to
1701 the principal amount thereof plus accrued and unpaid interest, and payment of all
1702 amounts due to the Credit Provider and the Liquidity Provider under the Reimbursement
1703 Agreement(s) on or before the effective date of such Alternate Letter of Credit or
1704 Alternate Liquidity Facility. Upon the satisfaction of the conditions described in the
1705 preceding sentence, the Registrar shall accept such Alternate Credit Enhancement or
1706 Alternate Liquidity Facility on the close of business on the Substitution Date and shall
1707 surrender the Credit Enhancement or Liquidity Facility then in effect to the provider
1708 thereof on the Substitution Date; provided, however, that the Registrar shall not surrender
1709 the Credit Enhancement or Liquidity Facility then in effect unless and until the Registrar
1710 has received all amounts drawn thereunder. As provided in Section 3.8(c) of this
1711 ordinance, any draw on a Liquidity Facility to be made on a Substitution Date shall be on
1712 the Liquidity Facility being replaced. If any condition to the substitution is not satisfied,

1713 the substitution shall not occur but the Bonds shall remain subject to mandatory purchase
1714 on the proposed Substitution Date.

1715 (e) In the event of an extension of the Expiration Date, the county will give to the
1716 Notice Parties and Owners of the affected Bonds a written notice of the new Expiration
1717 Date at least 21 days prior to the fifth Business Day prior to the Expiration Date in effect
1718 prior to the extension.

1719 (f) The references to "Liquidity Facility" and "Liquidity Provider" will be
1720 disregarded during any period during which a Liquidity Facility is not in effect. The
1721 references to "Credit Enhancement" and "Credit Provider" will be disregarded during any
1722 period during which a Credit Enhancement is not in effect.

1723 (g) Any claim by the Registrar or the Tender Agent on any amounts drawn under
1724 the Credit Enhancement or the Liquidity Facility or on any amounts on deposit in the
1725 account described in subsection (a) of this Section 3.13 in which proceeds of draws on
1726 the Credit Enhancement are deposited or the Liquidity Facility Purchase Account shall be
1727 subordinate to the lien thereon of the Bonds.

1728 SECTION 3.14. Purchase Fund. There is hereby established and there shall be
1729 maintained with the Tender Agent, as agent for the Registrar, a separate fund to be
1730 known as the "Purchase Fund." The Tender Agent shall further establish separate
1731 accounts within the Purchase Fund to be known as the "Liquidity Facility Purchase
1732 Account" and the "Remarketing Proceeds Account" and the "County Purchase Account."
1733 All funds in any account within the Purchase Fund shall be held solely for the benefit of
1734 Owners of the Bonds.

1735 (a) Remarketing Proceeds Account. Upon receipt of the proceeds of a
1736 remarketing of a Bond on the date such Bond is to be purchased, the Tender Agent will
1737 deposit those proceeds in the Remarketing Proceeds Account for application to the
1738 Purchase Price of that Bond. Notwithstanding the foregoing, upon the receipt of the
1739 proceeds of a remarketing of Liquidity Provider Bonds, the Tender Agent will
1740 immediately pay such proceeds to the Liquidity Provider to the extent of any amount
1741 owing to the Liquidity Provider.

1742 (b) Liquidity Facility Purchase Account. Upon receipt from the Registrar of the
1743 immediately available funds transferred to the Tender Agent pursuant to Section 3.9(b) of
1744 this ordinance, the Tender Agent will deposit such money in the Liquidity Facility
1745 Purchase Account for application to the Purchase Price of the Bonds to the extent that the
1746 money on deposit in the Remarketing Proceeds Account is not sufficient. Any amounts
1747 deposited in the Liquidity Facility Purchase Account and not needed with respect to the
1748 Purchase Price for any Bonds will be immediately returned to the Liquidity Provider.

1749 (c) County Purchase Account. Upon receipt of funds from the county pursuant to
1750 Section 3.9(c) of this ordinance, the Tender Agent shall deposit those funds in the County
1751 Purchase Account for application to the Purchase Price of the Bonds. Any amounts
1752 deposited in the County Purchase Account and not needed with respect to the Purchase
1753 Price for any Bonds will be immediately refunded to the county.

1754 (d) Investment. Amounts held in the Liquidity Facility Purchase Accounts and
1755 the Remarketing Proceeds Accounts by the Paying Agent shall be held uninvested and
1756 separate and apart from all other funds and accounts.

1757 **SECTION 3.15. Insufficient Funds for Tenders.**

1758 (a) If money sufficient to pay the Purchase Price of all tendered Bonds to be
1759 purchased on any Purchase Date is not available (1) no purchase shall be consummated
1760 on such Purchase Date, (2) all tendered Bonds shall be returned to the Owners thereof,
1761 and (3) all remarketing proceeds shall be returned to the Remarketing Agent for return to
1762 the Persons providing such money.

1763 (b) All Bonds shall bear interest at the Unremarketed Bonds Rate during the
1764 period of time from and including the applicable Purchase Date to (but not including) the
1765 date that all such tendered Bonds are successfully remarketed (the "Delayed Remarketing
1766 Period").

1767 (c) The county may direct the conversion of the tendered Bonds to a different
1768 Interest Rate Mode during the Delayed Remarketing Period in accordance with Section
1769 2.10 of this ordinance; provided that the county is not required to comply with the notice
1770 requirements described in Section 2.10 of this ordinance.

1771 (d) Subject to the terms of the Remarketing Agreement, the Remarketing Agent
1772 shall continue to use its best efforts to remarket all of the tendered Bonds.

1773 (e) During the Delayed Remarketing Period, the Registrar may, upon written
1774 direction of the county, apply funds provided by the county to the redemption of such
1775 tendered Bonds, as a whole or in part on any Business Day during the Delayed
1776 Remarketing Period, at a redemption price equal to the principal amount thereof, together
1777 with interest accrued thereon to the date fixed for redemption, without premium. The
1778 Registrar shall give five Business Days' notice of such redemption to the Owners of the
1779 Bonds to be redeemed.

1780 (f) During the Delayed Remarketing Period, interest on such tendered Bonds
1781 shall be paid to the Owners thereof (i) on the first Business Day of each calendar month
1782 occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed
1783 Remarketing Period.

1784 SECTION 3.16. Amendments on Mandatory Purchase Date. The owner of a
1785 Bond shall be deemed to have consented to any amendment proposed to become effective
1786 on any Mandatory Purchase Date for such Bond.

1787 SECTION 3.17. No Defeasance in Short-Term Mode. Bonds in any Short-
1788 Term Mode may not be defeased. Any defeasance of Bonds in any Long-Term Mode
1789 must be in accordance with the defeasance provisions set forth in Section 4.4 of this
1790 ordinance.

1791 **ARTICLE IV**

1792 **SECURITY FOR THE BONDS**

1793 SECTION 4.1. Junior Lien Bond Fund. A special fund of the county
1794 designated the "King County, Washington, Junior Lien Obligation Redemption Fund"
1795 (the "Junior Lien Bond Fund") has been created for the purpose of paying Junior Lien
1796 Obligations. The Junior Lien Bond Fund shall be held separate and apart from all other
1797 funds and accounts of the county and shall be a trust fund for the owners of Junior Lien
1798 Obligations.

1799 The county hereby irrevocably obligates and binds itself for as long as any Bonds
1800 remain Outstanding to set aside and pay into the Junior Lien Bond Fund from Revenue of
1801 the System, on or prior to the respective dates the same become due (and if such payment
1802 is made on the due date, such payment shall be made in immediately available funds):

1803 (1) Such amounts as are required to pay the interest scheduled to become due on
1804 Outstanding Bonds (including all Liquidity Provider Bonds at the rate provided under the
1805 applicable Reimbursement Agreement and Unremarketed Bonds at the rate provided
1806 under the applicable Bank Purchase Agreement); and

1807 (2) Such amounts with respect to Outstanding Bonds as are required (A) to pay
1808 maturing principal, (B) to make any required sinking fund payments, and (C) to redeem
1809 Outstanding Bonds in accordance with any mandatory redemption provisions (including
1810 all Liquidity Provider Bonds and Unremarketed Bonds on the dates and in the amounts
1811 set forth in the applicable Bank Purchase Agreement).

1812 (3) Other amounts due under the applicable Bank Purchase Agreement.

1813 So long as the county maintains the Credit Enhancement, the payment
1814 requirements of this Section 4.1 shall be deemed satisfied by draws on the Credit
1815 Enhancement; provided, however, that the Credit Enhancement must not be drawn upon
1816 to make any payments of principal of or interest on Liquidity Provider Bonds.

1817 SECTION 4.2. Revenue Fund. All Revenue of the System shall be deposited in
1818 the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from
1819 all other funds and accounts of the county, and the Revenue of the System deposited
1820 therein shall be used only for the following purposes and in the following order of
1821 priority:

1822 First, to pay all Operating and Maintenance Expenses;

1823 Second, to make all required deposits into the debt service account in the Parity
1824 Bond Fund to provide for the payment of principal of and interest on Parity Bonds as the

1825 same become due and payable and to make any Payment Agreement Payments with
1826 respect to any Parity Payment Agreements;

1827 Third, to make all payments required to be made pursuant to a reimbursement
1828 agreement or agreements (or other equivalent documents) with the providers of any debt
1829 service reserve insurance, sureties or letters of credit securing Parity Bonds, provided that
1830 if there is not sufficient money to make all payments under such reimbursement
1831 agreements the payments will be made on a pro rata basis;

1832 Fourth, to establish and maintain the Parity Bond Reserve Account (including
1833 making deposits into such account and paying the costs of obtaining debt service reserve
1834 insurance, sureties or letters of credit);

1835 Fifth, to make all required payments of principal of and interest on the Parity Lien
1836 Obligations as the same become due and payable and to make Payment Agreement
1837 Payments with respect to any Parity Lien Obligation Payment Agreements;

1838 Sixth, to make all required payments of principal of and interest on Junior Lien
1839 Obligations as the same become due and payable, to make all Payment Agreement
1840 Payments for any Payment Agreements entered into with respect to Junior Lien
1841 Obligations, to make any payments required to be made to the Bank pursuant to the Bank
1842 Purchase Agreement, and to make any payments required to be made to any providers of
1843 any credit enhancements or liquidity facilities for Junior Lien Obligations;

1844 Seventh, to make all required payments of principal of and interest on Multi-
1845 Modal LTGO/Sewer Revenue Bonds as the same become due and payable, to make all
1846 Payment Agreement Payments for any Payment Agreements entered into with respect to
1847 Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments required to be

1848 made to providers of any credit enhancements or liquidity facilities for Multi-Modal
1849 LTGO/Sewer Revenue Bonds;

1850 Eighth, to make all required payments of principal of and interest on the
1851 Subordinate Lien Obligations as the same become due and payable;

1852 Ninth, to make all required payments of principal and interest on bonds, notes,
1853 warrants and other evidences of indebtedness, the lien and charge against Revenue of the
1854 System of which is junior and inferior to the Subordinate Lien Obligations, as the same
1855 shall become due and payable;

1856 Tenth, to make all required payments of principal and interest due on the SRF
1857 Loans and the Public Works Trust Fund Loans as the same become due and payable; and

1858 Any surplus money that the county may have on hand in the Revenue Fund after
1859 making all required payments set forth above may be used by the county (i) to make
1860 necessary improvements, additions and repairs to and extensions and replacements of the
1861 System, (ii) to purchase or redeem and retire outstanding sewer revenue bonds of the
1862 county, (iii) to make deposits into the Rate Stabilization Fund, (iv) to make any
1863 termination payment required to be paid with respect to a Payment Agreement, or (v) for
1864 any other lawful purposes of the county related to the System.

1865 **SECTION 4.3. Pledge of Revenue.**

1866 (a) Lien on Revenue of the System. The Bonds and the lien thereof created and
1867 established hereunder shall be obligations only of the Junior Lien Bond Fund. The Bonds
1868 shall be payable solely from and secured solely by Revenue of the System and by
1869 drawings under the Credit Enhancement or the Liquidity Facility; *provided, however*, that
1870 any series of Additional Junior Lien Obligations also may be payable from and secured

1871 by a separate credit or liquidity facility pledged specifically to or provided for that series
1872 of Additional Junior Lien Obligations, and such separate credit or liquidity facility shall
1873 not secure payment of the Bonds. No Additional Junior Lien Obligations shall be
1874 secured by the Credit Enhancement or the Liquidity Facility unless the Credit Provider or
1875 the Liquidity Provider, as the case may be, shall amend the Credit Enhancement or
1876 increase the Available Amount under the Liquidity Facility, as the case may be, to
1877 account for such Additional Junior Lien Obligations. Unless the Credit Enhancement is
1878 so amended or the Available Amount is so increased, funds drawn under the Credit
1879 Enhancement or the Liquidity Facility must be held separately and are not available for
1880 payments with respect to any other Junior Lien Obligations.

1881 From and after the time of issuance and delivery of the Bonds and so long
1882 thereafter as any of the same remain Outstanding, the county hereby irrevocably obligates
1883 and binds itself to set aside and pay into the Junior Lien Bond Fund out of Revenue of the
1884 System, on or prior to the date on which the interest on, premium, if any, or principal of
1885 and interest on the Bonds shall become due, the amount necessary to pay such interest,
1886 premium, or principal and interest coming due on the Bonds.

1887 The amounts herein covenanted to be paid out of the Revenue of the System and
1888 deposited into the Junior Lien Bond Fund shall constitute and the county hereby grants
1889 and pledges to the owners of the Bonds. to the Bank with respect to obligations owed to it
1890 under a Bank Purchase Agreement, and to any Credit Provider and Liquidity Provider
1891 with respect to obligations owed to them under a Reimbursement Agreement, a lien and
1892 charge on such Revenue junior, subordinate and inferior to Operating and Maintenance
1893 Expenses; junior, subordinate and inferior to the lien and charge on such Revenue for the

1894 payments required to be made into the Parity Bond Fund and the accounts therein; junior,
1895 subordinate and inferior to the lien and charge on such Revenue of the payments required
1896 to be made into the Parity Lien Obligation Bond Fund and the accounts therein; equal to
1897 the lien and charge on such Revenue to pay and secure the payment of the outstanding
1898 Junior Lien Obligations and any Additional Junior Lien Obligations; and superior to all
1899 other liens and charges of any kind or nature, including, *inter alia*, the lien and charge on
1900 such Revenue to pay and secure the payment of the Commercial Paper Notes, the Bank
1901 Note and any Additional Subordinate Lien Obligations, and the SRF Loans and Public
1902 Works Trust Fund Loans.

1903 The Bonds shall not be deemed to constitute a general obligation or a pledge of
1904 the faith and credit of the county, or a debt or a pledge of the faith and credit of the State
1905 of Washington or any other municipal corporation or political subdivision thereof.
1906 Neither the State of Washington nor any other municipal corporation or political
1907 subdivision thereof shall be obligated to pay the principal of or interest on the Bonds, and
1908 neither the faith and credit nor the taxing power of the county, the State of Washington or
1909 any other municipal corporation or political subdivision thereof is pledged to the payment
1910 of the principal of or interest on the Bonds.

1911 (b) Due Regard for Expenses of Maintenance and Operation. The county council
1912 hereby declares that, in fixing the amounts to be paid into the Junior Lien Bond Fund and
1913 the accounts therein out of the Revenue of the System, it has exercised due regard for the
1914 necessary Operating and Maintenance Expenses and has not obligated the county to set
1915 aside, pay into and maintain in said fund and accounts a greater amount of the Revenue

1939 (2) to pay punctually all amounts described in Paragraphs Second through Tenth in
1940 Section 4.2 of this ordinance due during such calendar year; and (3) to pay any and all
1941 amounts that the county is now or may hereafter become obligated by law or contract to
1942 pay during such calendar year from the Revenue of the System.

1943 (b) Coverage Requirement.

1944 (i) Subject to the provisions of subparagraph (ii) of this Section 5.1(b), the
1945 county hereby covenants with the owners of the Bonds for so long as any of the same are
1946 Outstanding that the county will at all times establish, maintain and collect rates and
1947 charges for sewage disposal service that, together with the interest to be earned on
1948 investments made of money in the Revenue Fund, Parity Bond Fund, Parity Lien
1949 Obligation Bond Fund, Junior Lien Bond Fund, and Construction Account will provide in
1950 each calendar year Net Revenue, after deducting therefrom amounts required in such year
1951 to pay Annual Debt Service on Parity Bonds and Parity Lien Obligations, in an amount
1952 equal to at least 1.10 times the amounts required to pay Annual Debt Service for all
1953 Junior Lien Obligations for such year.

1954 (ii) There shall be added to Revenue of the System for any calendar year any
1955 amount withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund.
1956 There shall be subtracted from Revenue of the System for any year any amounts in such
1957 year withdrawn from the Revenue Fund and deposited into the Rate Stabilization Fund in
1958 such year.

1959 SECTION 5.2. Other Covenants. The county hereby makes the following
1960 additional covenants and agrees with the Owners of the Bonds for as long as any of the
1961 same remain Outstanding.

1962 (a) Maintain in Good Order. The county shall cause the System and the business
1963 in connection therewith to be operated in a safe, sound, efficient, and economic manner
1964 in compliance with all health, safety, and environmental laws, regulatory body rules,
1965 regulatory body orders and court orders applicable to the county's operation of the
1966 System, and shall cause to be maintained, preserved, reconstructed, expanded and kept,
1967 with all appurtenances and every part and parcel thereof, in good repair, working order
1968 and condition, and shall from time to time cause to be made, without undue deferral, all
1969 necessary or proper repairs, replacements and renewals, so that all times the operation of
1970 the System shall be properly and advantageously conducted.

1971 (b) Books and Records. The county will cause proper books of record and
1972 accounts of operation of the System to be kept, including an annual financial report.

1973 (c) Annual Audit. The county shall cause its books of accounts, including its
1974 annual financial report, to be audited annually by the State auditor's office or other State
1975 department or agency as may be authorized and directed by law to make such audits, or
1976 by a Certified Public Accountant. The county will furnish such audit to the owner or
1977 holder of any Bond upon written request therefor.

1978 (d) Insurance. The county will at all times carry fire and extended coverage and
1979 such other forms of insurance on such of the buildings, equipment, facilities and
1980 properties of the Sewer System as under good practice are ordinarily carried on such
1981 buildings, equipment, facilities and properties by municipal or privately owned utilities
1982 engaged in the operation of sewer systems and will also carry adequate public liability
1983 insurance at all times, provided that the county may, if deemed advisable by the county

1984 council, institute or continue a self insurance program with respect to any or all of the
1985 aforementioned risks.

1986 (e) Construction. The county shall cause the construction of any duly authorized
1987 and ordered portions of the Comprehensive Plan to be performed and completed within a
1988 reasonable time and at the lowest reasonable cost.

1989 (f) Collection of Revenue. The county shall so operate and maintain the System
1990 and conduct its affairs as to entitle it at all times to receive and enforce payment to it of
1991 sewage disposal charges payable (i) pursuant to the ordinance or ordinances establishing
1992 a tariff of rates and charges for sewage disposal services and (ii) under any Service
1993 Agreement that the county has now or may hereafter enter into and to entitle the county
1994 to collect all revenues derived from the operation of the System. The county shall not
1995 release the obligations of any person, corporation or political subdivision under such
1996 tariff of rates and charges or the Service Agreements and shall at all times, to the extent
1997 permitted by law, defend, enforce, preserve and protect the rights and privileges of the
1998 county and of the holders of the Bonds under or with respect thereto.

1999 In accordance with RCW 35.58.200(3), the county shall require any county, city,
2000 special district or other political subdivision to discharge to the System all sewage
2001 collected by such entity from any portion of the Seattle metropolitan area that can drain
2002 by gravity flow into facilities of the System that serve such areas if the county council
2003 declares that the health, safety or welfare of the people within the metropolitan area
2004 require such action.

2005 (g) Legal Authority. The county has full legal right, power and authority to adopt
2006 this ordinance, to sell, issue and deliver Bonds as provided herein, and to carry out and
2007 consummate all other transactions contemplated by this ordinance.

2008 (h) Due Authorization. By all necessary official action prior to or concurrently
2009 herewith, the county has duly authorized and approved the execution and delivery of, and
2010 the performance by the county of its obligations contained in, the Bonds and in this
2011 ordinance and the consummation by it of all other transactions necessary to effectuate
2012 this ordinance in connection with the issuance of Bonds, and such authorizations and
2013 approvals are in full force and effect and have not been amended, modified or
2014 supplemented in any material respect.

2015 (i) Binding Obligation. This ordinance constitutes a legal, valid and binding
2016 obligation of the county.

2017 (j) No Conflict. The adoption of this ordinance, and compliance on the county's
2018 part with the provisions contained herein, will not conflict with or constitute a breach of
2019 or default under any constitutional provisions, law, administrative regulation, judgment,
2020 decree, loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement
2021 or other instrument to which the county is a party or to which the county or any of its
2022 property or assets are otherwise subject, nor will any such adoption, execution, delivery,
2023 sale, issuance or compliance result in the creation or imposition of any lien, charge or
2024 other security interest or encumbrance of any nature whatsoever upon any of the property
2025 or assets of the county or under the terms of any such law, regulation or instrument,
2026 except as may be provided by this ordinance.

2027 (k) Performance Under Ordinance. None of the proceeds of the Bonds will be
2028 used for any purpose other than as provided in this ordinance, and the county shall not
2029 suffer any amendment or supplement to this ordinance, or any departure from the due
2030 performance of the obligations of the county hereunder, that might materially adversely
2031 affect the rights of the owners from time to time of the Bonds.

2032 (l) Sale or Disposition. The county will not sell or voluntarily dispose of all of
2033 the operating properties of the System unless provision is made for payment into the
2034 appropriate bond funds of a sum sufficient to pay the principal of and interest on all
2035 outstanding Parity Bonds, Parity Lien Obligations and Junior Lien Obligations, in
2036 accordance with the terms thereof, nor will the county sell or voluntarily dispose of any
2037 part of the operating properties of the System unless the county has first complied with
2038 any applicable covenants of the Parity Bonds and Parity Lien Obligations.

2039 **SECTION 5.3. Tax Covenants.**

2040 (a) General. The county intends that interest on the Bonds be excludable from
2041 gross income for federal income tax purposes pursuant to sections 103 and 141 through
2042 150 of the Code, and the applicable regulations. The county covenants not to take any
2043 action, or knowingly to omit to take any action within its control, that if taken or omitted
2044 would cause the interest on the Bonds to be includable in gross income, as defined in
2045 section 61 of the Code, for federal income tax purposes.

2046 (b) Tax Certificate. Upon the issuance of the Bonds, the Finance Director is
2047 authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify to
2048 various facts and representations concerning the Bonds, based on the facts and estimates

2049 known or reasonably expected on the date of issuance of the Bonds, and make certain
2050 covenants with respect to the Bonds, including but not limited to the following:

2051 (i) *No Private Activity Bonds*. The proceeds of the Bonds will not be used in a
2052 manner that would cause the Bonds to be "private activity bonds" within the meaning of
2053 the Code, as further described in the Tax Certificate. Moreover, the county covenants
2054 that it will use the proceeds of such Bonds (including interest or other investment income
2055 derived from Bond proceeds), regulate the use of property financed or refinanced,
2056 directly or indirectly, with such proceeds, and take such other and further action as may
2057 be required so that such Bonds will not be "private activity bonds."

2058 (ii) *No Federal Guarantee*. The county has not and will not take any action,
2059 and has not knowingly omitted and will not knowingly omit to take any action within its
2060 control, that, if taken or omitted would cause such Bonds to be "federally guaranteed"
2061 within the meaning of the Code, as further described in the Tax Certificate.

2062 (iii) *No Arbitrage Bonds*. The county reasonably expects that the proceeds of
2063 such Bonds will not be used in a manner that would cause such Bonds to be "arbitrage
2064 bonds" within the meaning of the Code, as further described in the Tax Certificate.

2065 (iv) *No Hedge Bonds*. The county reasonably expects that at least 85% percent
2066 of the proceeds of such Bonds will be spent within three years of the date such Bonds are
2067 issued to carry out the governmental purposes of such Bonds.

2068 The county covenants that it will comply with the Tax Certificate unless it
2069 receives advice from nationally recognized bond counsel or the Internal Revenue Service
2070 that certain provisions have been amended or no longer apply to the Bonds.

2071 (c) Arbitrage Rebate. If the county does not qualify for an exception to the
2072 requirements of Section 148(f) of the Code relating to the payment of arbitrage rebate to
2073 the United States, the county will take all necessary steps to comply with the requirement
2074 that certain amounts earned by the county on the investment of the "gross proceeds" of
2075 the Bonds (within the meaning of the Code) be rebated.

2076 **SECTION 5.4. Additional Obligations of the Sewer System.**

2077 (a) Senior Lien Bonds. The county reserves the right to issue additional Parity
2078 Bonds and Parity Lien Obligations on the terms and conditions set forth in the ordinances
2079 authorizing issuance of the Parity Bonds and the Parity Lien Obligations.

2080 (b) Additional Junior Lien Obligations. The county also reserves the right to
2081 issue Additional Junior Lien Obligations, but only if such Junior Lien Obligations are
2082 issued (i) for the purpose of refunding any then outstanding Junior Lien Obligations or
2083 (ii) for any lawful purpose of the county related to the System and the following
2084 conditions are met:

2085 (A) At the time of issuing such Additional Junior Lien Obligations, there
2086 shall be no default in the payment of the principal of or interest on any Parity Bonds,
2087 Parity Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, the
2088 Public Works Trust Fund Loans or the SRF Loans.

2089 (B) The county shall have on file one of the following certificates:

2090 (1) certificate of the Finance Director showing that Net Revenue in any
2091 12 consecutive months out of the most recent 18 months preceding the issuance of such
2092 Additional Junior Lien Obligations, based on financial statements of the System prepared
2093 by the county and after deducting therefrom the Senior Lien Payments required in each

2094 calendar year during the life of such Additional Junior Lien Obligations, shall be at least
2095 equal to 1.10 times the Annual Debt Service for the proposed Additional Junior Lien
2096 Obligations and all then outstanding Junior Lien Obligations in each year during the life
2097 of such Additional Junior Lien Obligations; or

2098 (2) A certificate from a Professional Utility Consultant (which certificate
2099 may not be dated more than 90 days prior to the date of delivery of such Additional
2100 Junior Lien Obligations) showing that in his or her professional opinion the Net Revenue,
2101 estimated on the basis of all factors as he or she may consider reasonable, for each of the
2102 five calendar years next following the year in which such Additional Junior Lien
2103 Obligations are to be issued, after deducting therefrom Senior Lien Payments for each
2104 such year, shall be at least equal to 1.10 times the Annual Debt Service for the proposed
2105 Additional Junior Lien Obligations and all then outstanding Junior Lien Obligations in
2106 each of those five years.

2107 (c) Obligations with Inferior Lien. Nothing herein contained shall prevent the
2108 county from issuing revenue bonds, notes or other obligations that are a charge upon the
2109 Revenue of the System junior or inferior to the payments required to be made therefrom
2110 into the Junior Lien Bond Fund to pay and secure the payment of any Junior Lien
2111 Obligations.

2112 **SECTION 5.5. Payment Agreements.**

2113 (a) General. To the extent and for the purposes permitted from time to time by
2114 Chapter 39.96 RCW and other applicable provisions of State law, the county may enter
2115 into Payment Agreements with respect to any Junior Lien Obligations, subject to the
2116 conditions set forth in this Section and in other provisions of this ordinance.

2117 (b) Manner and Schedule of Payments. Each Payment Agreement shall set forth
2118 the manner in which the Payment Agreement Payments and the Payment Agreement
2119 Receipts shall be calculated and a schedule of payment dates.

2120 (c) Authorizing Ordinance. Prior to entering into a Payment Agreement, the
2121 county council shall pass an ordinance authorizing such agreement and setting forth such
2122 provisions as the county deems necessary or desirable and are not inconsistent with the
2123 provisions of this ordinance.

2124 (d) Calculation of Payment Agreement Payments and Debt Service on Junior
2125 Lien Obligations with Respect to which a Payment Agreement is in Force. It is the intent
2126 of the county, for purposes of Sections 5.1(b) and 5.4(b) of this ordinance, that debt
2127 service on Junior Lien Obligations with respect to which a Payment Agreement is in
2128 force shall be calculated to reflect the net economic effect on the county intended to be
2129 produced by the terms of the Junior Lien Obligations and the terms of the Payment
2130 Agreement. In calculating such amounts, the county shall be guided by the following
2131 requirements.

2132 (i) The amount of interest deemed to be payable on any Junior Lien
2133 Obligations with respect to which a Payment Agreement is in force shall be an amount
2134 equal to the amount of interest that would be payable at the rate or rates stated in those
2135 Junior Lien Obligations plus Payment Agreement Payments minus Payment Agreement
2136 Receipts.

2137 (ii) For any period during which Payment Agreement Payments are not taken
2138 into account in calculating interest on any outstanding Junior Lien Obligations because
2139 the Payment Agreement is not then related to any outstanding Junior Lien Obligations,

2140 Payment Agreement Payments on that Payment Agreement shall be calculated based
2141 upon the following assumptions:

2142 (A) County Obligated to Make Payments Based on Fixed Rate. If the
2143 county is obligated to make Payment Agreement Payments based on a fixed rate and the
2144 Qualified Counterparty is obligated to make payments based on a variable rate index,
2145 payments by the county will be based on the assumed fixed payor rate, and payments by
2146 the Qualified Counterparty will be based on a rate equal to the average rate determined
2147 by the variable rate index specified by the Payment Agreement during the fiscal quarter
2148 preceding the quarter in which the calculation is made; and

2149 (B) County Obligated to Make Payments Based on Variable Rate Index. If
2150 the county is obligated to make Payment Agreement Payments based on a variable rate
2151 index and the Qualified Counterparty is obligated to make payments based on a fixed
2152 rate, payments by the county will be based on a rate equal to the average rate determined
2153 by the variable rate index specified by the Payment Agreement during the fiscal quarter
2154 preceding the quarter in which the calculation is made, and the Qualified Counterparty
2155 will make payments based on the fixed rate specified by the Payment Agreement.

2156 (e) Prior Notice to Rating Agencies. The county shall give notice to each Rating
2157 Agency 30 days prior to the date it intends to enter into a Payment Agreement with
2158 respect to any Junior Lien Obligations.

2159 **ARTICLE VI**

2160 **EVENTS OF DEFAULT**

2161 SECTION 6.1. Defaults. The county hereby finds and determines that the failure
2162 or refusal of the county or any of its officers to perform the covenants and obligations of

2163 this ordinance will endanger the operation of the System and the application of Revenue
2164 of the System and such other money, funds and securities to the purposes herein set forth.

2165 Any one or more of the following constitute a Default under this ordinance:

2166 (a) The county fails to make payment of the principal of any Bonds when the
2167 same become due and payable whether by maturity or scheduled redemption prior to
2168 maturity;

2169 (b) At any time the Bonds bear interest at a LIBOR Index Rate, the county
2170 fails to make payment of the Purchase Price of the Bonds when the same becomes due
2171 and payable.

2172 (c) The county fails to make payment of any installment of interest on any Bonds
2173 when the same becomes due and payable;

2174 (d) The county fails to perform any other covenant, condition, or agreement on
2175 the part of the county contained in this ordinance, and such failure continues for a period
2176 of 30 days;

2177 (e) The county (i) admits in writing its inability to pay its debts generally as they
2178 become due; (ii) files a petition in bankruptcy or seeking a composition of indebtedness
2179 under any state or federal bankruptcy or insolvency law; (iii) makes an assignment for the
2180 benefit of its creditors; (iv) consents to the appointment of a receiver of the whole or any
2181 substantial part of the System; or (v) consents to the assumption by any court of
2182 competent jurisdiction under the provisions of any other law for the relief or aid of
2183 debtors of custody or control of the county or of the whole or any substantial part of the
2184 System; or

2185 (f) An event of default occurs under the applicable Bank Purchase Agreement.

2186 (g) At any time during the Initial Period a default occurs under that certain Line
2187 of Credit Agreement dated December 20, 1995, among the county, Bayerische
2188 Landesbank (formerly known as Bayerische Landesbank Girozentrale), acting through its
2189 New York Branch (the "*Line of Credit Bank*") and The Bank of New York, as Issuing
2190 and Paying Agent, as amended, supplemented or otherwise modified, that results in the
2191 acceleration of any amounts owed thereunder to the Line of Credit Bank.

2192 **SECTION 6.2. Remedies.**

2193 (a) Control by Bank. So long as the Bank is sole Owner of the Bonds, upon the
2194 occurrence and continuation of a Default, the Bank will be entitled to exercise any of the
2195 remedies provided under this Section without the necessity of appointing a Bondowners'
2196 Trustee. Upon the occurrence of a Default under Section 6.1(g), the Bonds shall be
2197 automatically accelerated and the principal of and interest on the Bonds shall be
2198 immediately due and payable.

2199 (b) Control by Credit Provider. Upon the occurrence and continuation of a
2200 Default, the Credit Provider, if any, shall be entitled to exercise, on behalf of the
2201 Bondowners, any of the remedies provided under this Section and, for as long as the
2202 Credit Provider is not in default of its obligations under the Credit Enhancement, the
2203 Credit Provider shall be the only party entitled to exercise the remedies provided under
2204 this Section.

2205 (c) Bondowners' Trustee. Upon the occurrence of a Default and so long as such
2206 Default has not been remedied, and subject to the rights of the Bank and the Credit
2207 Provider as provided in subsections (a) and (b) above, a Bondowners' Trustee may be
2208 appointed for the Bonds by the owners of 51% in principal amount of the Outstanding

2209 Bonds by an instrument or concurrent instruments in writing signed and acknowledged
2210 by such Bondowners or by their attorneys-in-fact duly authorized and delivered to such
2211 Bondowners' Trustee, notification thereof being given to the county. Any Bondowners'
2212 Trustee appointed under the provisions of this Section shall be a bank or trust company
2213 organized under the laws of a state or a national banking association. The fees and
2214 expenses of a Bondowners' Trustee shall be borne by the Bondowners and not by the
2215 county. The bank or trust company acting as a Bondowners' Trustee may be removed at
2216 any time, and a successor Bondowners' Trustee may be appointed, by the owners of 51%
2217 in principal amount of the Bonds Outstanding, by an instrument or concurrent
2218 instruments in writing signed and acknowledged by such Bondowners or by their
2219 attorneys-in-fact duly authorized. The Bondowners' Trustee may resign upon 60 days'
2220 notice and a new Bondowners' Trustee appointed by the owners of at least 51% in
2221 principal amount of Bonds; provided, however, that no such resignation or removal shall
2222 be effective until a successor Bondowners' Trustee shall have been appointed and shall
2223 have delivered a written instrument of acceptance of the duties and responsibilities of the
2224 Bondowners' Trustee under this ordinance to the county and the Owners of the Bonds
2225 then Outstanding.

2226 The Bondowners' Trustee appointed in the manner herein provided, and each
2227 successor thereto, is hereby declared to be a trustee for the owners of all Bonds then
2228 Outstanding and is empowered to exercise all the rights and powers herein conferred on
2229 the Bondowners' Trustee.

2230 (d) Legal Action by Bondowners' Trustee. Subject to the rights of the Credit
2231 Provider, upon the happening of a Default and during the continuation thereof, the

2232 Bondowners' Trustee may, and upon the written request of the Owners of not less than
2233 25% in principal amount of Bonds then Outstanding shall, take such steps and institute
2234 such suits, actions or other proceedings, all as it may deem appropriate for the protection
2235 and enforcement of the rights of Bondowners to collect any amounts due and owing to or
2236 from the county, or to obtain other appropriate relief, and may enforce the specific
2237 performance of any covenant, agreement or condition contained in this ordinance or the
2238 Bonds. Any action, suit or other proceedings instituted by a Bondowners' Trustee
2239 hereunder shall be brought in its name as trustee for the Bondowners, and all such rights
2240 of action upon or under any of the Bonds or the provisions of this ordinance may be
2241 enforced by a Bondowners' Trustee without the possession of any of said Bonds, and
2242 without the production of the same at any trial or proceedings relating thereto except
2243 where otherwise required by law. Any such suit or proceeding instituted by the
2244 Bondowners' Trustee shall be brought for the ratable benefit of all Owners of the Bonds,
2245 subject to the provisions of this ordinance. The respective owners of said Bonds by
2246 taking and holding the same, shall be conclusively deemed irrevocably to appoint a
2247 Bondowners' Trustee the true and lawful trustee of the respective Owners of said Bonds,
2248 with authority to institute any such action, suit or proceeding; to receive as trustee and
2249 deposit in trust any sums that become distributable on account of said Bonds; to execute
2250 any paper or documents for the receipt of such money, and to do all acts with respect
2251 thereto that the Bondowner himself might have done. Nothing herein shall be deemed to
2252 authorize or empower any Bondowners' Trustee to consent to accept or adopt, on behalf
2253 of any Owner of said Bonds, any plan of reorganization or adjustment affecting the said
2254 Bonds or any right of any Owner thereof, or to authorize or empower the Bondowners'

2255 Trustee to vote the claims of the Owners thereof in any receivership, insolvency,
2256 liquidation, bankruptcy, reorganization or other proceeding to which the county shall be a
2257 party.

2258 (e) Restrictions on Legal Action by Individual Bondowners. No Owner or
2259 Beneficial Owner of any Bonds shall have any right to institute any action, suit or
2260 proceedings at law or in equity for the enforcement of the same unless:

2261 (i) a Default shall have happened and be continuing; and

2262 (ii) a Bondowners' Trustee has been appointed as herein provided, and

2263 (iii) such owner previously has given to the Bondowners' Trustee written
2264 notice of the Default as to which such suit, action or proceeding is to be instituted; and

2265 (iv) the Owners of 25% in principal amount of the Bonds then Outstanding,
2266 after the occurrence of such Default, have made written request of the Bondowners'
2267 Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute
2268 such suit, action or proceedings; and

2269 (v) the Bondowners' Trustee has been offered security and indemnity
2270 satisfactory to it against the costs, expenses and liabilities to be incurred therein or
2271 thereby; and

2272 (vi) the Bondowners' Trustee has refused or neglected to comply with such
2273 request within a reasonable time.

2274 No Owner or Beneficial Owner of any Bond shall have any right in any manner
2275 whatever by his or her action to affect or impair the obligation of the county, which is
2276 absolute and unconditional, to pay from Revenue of the System or draws on the Credit

2277 Enhancement or Liquidity Facility the principal of and interest on said Bonds to the
2278 respective Owners thereof when due.

2279 (f) Waivers of Default; Remedies not Exclusive. The remedies herein conferred
2280 upon or reserved to the Owners of the Bonds and to a Bondowners' Trustee are not
2281 intended to be exclusive of any other remedy or remedies, and each and every such
2282 remedy shall be cumulative and shall be in addition to every other remedy given
2283 hereunder or now or hereafter existing at law or in equity or by statute. The privileges
2284 herein granted shall be exercised from time to time and continued so long as and as often
2285 as the occasion therefor may arise.

2286 The Credit Provider may on behalf of the Owners of all Bonds then Outstanding
2287 waive any past Default and its consequences, except a default in the payment of the
2288 principal of, premium, if any, or interest on any of the Bonds. No such waiver shall
2289 extend to or shall affect any subsequent Default or shall impair any rights or remedies
2290 consequent thereon. No delay or omission of the Credit Provider to exercise any right or
2291 power accruing upon any default shall impair any such right or power or shall be
2292 construed to be a waiver of any such Default or acquiescence therein.

2293 **ARTICLE VII**

2294 **REGISTRAR, PAYING AGENT AND TENDER AGENT FUNCTIONS;**

2295 **APPOINTMENT OF REMARKETING AGENT**

2296 **SECTION 7.1. Duties of Registrar.**

2297 (a) Registrar as Initial Paying Agent and Tender Agent. The Registrar shall be
2298 the Paying Agent and Tender Agent for the Bonds. The county may at any time appoint
2299 an additional or successor Paying Agent or Tender Agent. Any appointment of an

2300 additional or successor Paying Agent or Tender Agent shall be made by written
2301 instrument executed by the Finance Director and shall be effective immediately after the
2302 Registrar shall have consented to such appointment in writing and such paying agent or
2303 tender agent shall have accepted its obligations under this ordinance by delivery of a
2304 written instrument to that effect to the county and the Registrar.

2305 (b) Fiscal Agency Agreement. Registrar shall perform its duties as Registrar,
2306 Paying Agent and Tender Agent hereunder in accordance with the Fiscal Agency
2307 Agreement. Unless the county exercises its right under Section 7.1(c) of this ordinance to
2308 remove the Registrar, any successor fiscal agent under the Fiscal Agency Agreement
2309 shall serve as Registrar under this ordinance. Notwithstanding anything to the contrary in
2310 the Fiscal Agency Agreement, the Registrar shall not seek any indemnity or other
2311 security as a condition precedent to drawing on any Liquidity Facility or Credit
2312 Enhancement, making any payment of principal of, interest on or the Purchase Price for
2313 any Bonds, or effecting any mandatory purchase or redemption of any Bonds.

2314 (c) Removal of Registrar. The county may remove the Registrar at any time at
2315 the option of the Finance Director upon prior notice to the Notice Parties and
2316 appointment by the Finance Director on behalf of the county of a successor Registrar on
2317 terms and conditions to be set forth in a written agreement between the county and such
2318 successor Registrar. Any successor Registrar must be a trust company or commercial
2319 bank with trust powers. No resignation or removal of the Registrar shall be effective
2320 until a successor is appointed and the successor Registrar accepts the duties of the
2321 Registrar hereunder and receives the Credit Enhancement and Liquidity Facility, together
2322 with all other funds then held by the Registrar, Paying Agent and Tender Agent.

2323 **SECTION 7.2. Appointment of Remarketing Agent.**

2324 (a) Finance Director to Appoint Remarketing Agent. If necessary or desirable to
2325 comply with provisions of this ordinance, the Finance Director may appoint a
2326 Remarketing Agent to remarket Bonds and perform other duties of the Remarketing
2327 Agent described in this ordinance. Any Remarketing Agent must be a member of the
2328 Financial Industry Regulatory Authority, have a capitalization of at least \$50,000,000, be
2329 authorized by law to perform all the duties set forth in this ordinance and be acceptable to
2330 the Credit Provider and Liquidity Provider, if any. The Finance Director is authorized to
2331 execute and deliver a Remarketing Agreement with the Remarketing Agent on behalf of
2332 the county. The council authorizes and directs the Finance Director and all other proper
2333 officers, agents, attorneys and employees of the county to cooperate with the
2334 Remarketing Agent in preparing and executing such additional agreements, certificates,
2335 and other documentation on behalf of the county as shall be necessary or advisable in
2336 providing for appointment of the Remarketing Agent. The Remarketing Agent shall keep
2337 such books and records as are consistent with prudent industry practice and make such
2338 books and records available for inspection by the Notice Parties at all reasonable times.

2339 (b) Removal or Resignation of Remarketing Agent. The Remarketing Agent may
2340 at any time resign and be discharged of the duties and obligations with respect to the
2341 Bonds created by this ordinance as set forth in the Remarketing Agreement. The
2342 Remarketing Agent may suspend its remarketing efforts as set forth in the Remarketing
2343 Agreement. The county council authorizes the Finance Director to remove the
2344 Remarketing Agent at any time, in accordance with the Remarketing Agreement, when
2345 the Finance Director, in consultation with the county's financial advisors, determines that

2368 **SALE OF BONDS; EXTENSION OF BANK PURCHASE AGREEMENT;**
2369 **CREDIT ENHANCEMENT AND LIQUIDITY FACILITY**

2370 **SECTION 8.1. Sale of Bonds.** The Bonds shall be sold by negotiated sale to the
2371 Bank pursuant to the bondholder's agreement (the "Bank Purchase Agreement") set forth
2372 as Attachment B to this ordinance. The council authorizes the Finance Director to
2373 execute and deliver the Bank Purchase Agreement on behalf of the county, with such
2374 changes as may be consistent with this ordinance and approved by counsel to the county.
2375 The Finance Director and all other proper officers, agents, attorneys and employees of the
2376 county are hereby authorized and directed to do everything necessary for the prompt
2377 execution and delivery of the Bonds to the Bank and for the proper application and use of
2378 the proceeds of sale thereof, all in accordance with the Bank Purchase Agreement and
2379 this ordinance.

2380 **SECTION 8.2. Extension or Replacement of Bank Purchase Agreement.** The
2381 Finance Director is hereby authorized to negotiate (i) one or more extensions of the Bank
2382 Purchase Agreement or (ii) the assignment of the Bonds to an Owner other than the Bank
2383 pursuant to a Bank Purchase Agreement with that Owner, on terms and conditions
2384 acceptable to the Finance Director and approved by counsel to the county.

2385 **SECTION 8.3. Credit Enhancement and Liquidity Facility.** The county
2386 council authorizes the Finance Director to obtain a Credit Enhancement or Liquidity
2387 Facility or to obtain an Alternate Credit Enhancement or Alternate Liquidity Facility at
2388 any time and from time to time when the Finance Director, in consultation with the
2389 county's financial advisors, determines that obtaining any such instruments is necessary
2390 or beneficial to the county. The council authorizes and directs the Finance Director and

2391 all other proper officers, agents, attorneys and employees of the county to cooperate with
2392 any such Credit Provider or Liquidity Provider, or the providers of any Alternate Credit
2393 Enhancement or Alternate Liquidity Facility, in preparing and executing such
2394 agreements, certificates, and other documentation on behalf of the county as shall be
2395 necessary or advisable in providing for any such instrument.

2396 **ARTICLE IX**

2397 **AMENDMENTS**

2398 **SECTION 9.1. Amendments without Owners' Consent.** This ordinance may
2399 be amended or supplemented from time to time, without the consent of the Owners by a
2400 supplemental ordinance passed by the county council for one or more of the following
2401 purposes:

2402 (a) to add additional covenants of the county or to surrender any right or power
2403 herein conferred upon the county; or

2404 (b) to cure any ambiguity or to cure, correct or supplement any defective
2405 (whether because of any inconsistency with any other provision hereof or otherwise)
2406 provision of this ordinance or to make any other provisions with respect to matters or
2407 questions arising under this ordinance, provided such action shall not impair the security
2408 hereof or adversely affect the interests of the Owners; or

2409 (c) to provide or modify procedures permitting the Bonds to be held in a Book-
2410 Entry System or Owners to utilize a certificated system of registration for Bonds; or

2411 (d) to modify, alter, amend, supplement or restate this ordinance in any and all
2412 respects necessary, desirable or appropriate in connection with the delivery of an

2413 Alternate Credit Enhancement or Alternate Liquidity Facility (other than modifying
2414 notice provisions to Owners of the Bonds); or
2415 (e) to modify, alter, amend, supplement or restate this ordinance in any and all
2416 respects necessary, desirable or appropriate to satisfy the requirements of any Rating
2417 Agency to obtain or retain a rating on the Bonds as the county deems necessary, provided
2418 that such action shall not impair the security hereof or materially adversely affect the
2419 interests of the Owners; or

2420 (f) for any purpose, (i) on any Mandatory Purchase Date and (ii) at any time
2421 during the Daily Mode or the Weekly Mode, provided that notice of such amendment is
2422 given by first class mail to each Owner of Bonds at least 30 days prior to the effective
2423 date of such amendment.

2424 SECTION 9.2. Amendments with Owners' Consent. This ordinance may be
2425 amended from time to time by a supplemental ordinance; provided, that (a) no
2426 amendment shall be made that affects the rights of some but fewer than all of the Owners
2427 of the Outstanding Bonds without the consent of the Owners of 51% in aggregate
2428 principal amount of the Bonds so affected, and (b) without the consent of the Owners of
2429 all Outstanding Bonds affected thereby, no amendment shall be made that alters the
2430 interest rates or premium on or principal amount of any Bonds, the Maturity Date,
2431 Interest Payment Dates, purchase upon tender or redemption provisions of any Bonds or
2432 this Section 9.2. Notwithstanding any provision of this Section 9.2 to the contrary, so
2433 long as no event of default has occurred under the Credit Enhancement, any provision of
2434 this ordinance may be amended with the consent solely of the Credit Provider for such
2435 Credit Enhancement.

2458 **SECTION 10.3. Notices to Notice Parties.** Except as otherwise specifically
2459 provided for in this ordinance, all notices required by the terms hereof to be given to the
2460 Registrar, the county or the Owners of the Bonds shall be deemed given, if given in
2461 writing and mailed by first-class mail, postage prepaid, and

2462 (a) if to the Registrar, addressed to The Bank of New York Mellon, at 101
2463 Barclay Street, 7W, New York, NY 10286, Attention: Corporate Trust Registrar
2464 Administration;

2465 (b) if to the county, addressed to King County, Office of the Director, Finance
2466 and Business Operations Division, at 500 Fourth Avenue, Room 600, Seattle, WA 98104,
2467 Attention: Treasury Services;

2468 (c) if to the Credit Provider, addressed to it at the address set forth in the
2469 Reimbursement Agreement;

2470 (d) if to the Liquidity Provider, addressed to it at the address set forth in the
2471 Reimbursement Agreement;

2472 (e) if to the Remarketing Agent, addressed to it at the address set forth in the
2473 Remarketing Agreement; and

2474 (f) if to any owner of a Bond, addressed to such owner at the address set forth in
2475 the Bond Register; or, as to the county or the Registrar, as any of them shall from time to
2476 time designate by notice in writing to the others.

2477 **SECTION 10.4. Notice to Rating Agencies.** So long as the Bonds bear a rating
2478 from any Rating Agency, at such time as there is a change in the Registrar, Tender Agent,
2479 Paying Agent, Remarketing Agent, Credit Provider, or Liquidity Provider, or any
2480 successors thereto, any amendment is made to this ordinance, or a Credit Enhancement or

2481 Liquidity Facility expires or terminates or is extended or replaced, or whenever there is
2482 (i) a conversion of the Bonds from one Interest Rate Mode to another, (ii) a redemption
2483 or defeasance of the Bonds, or (iii) a mandatory tender for purchase of the Bonds in the
2484 event of nonreinstatement of interest after an interest drawing on the Credit Enhancement
2485 or Liquidity Facility, the county shall give written notice of the same to Moody's at 7
2486 World Trade Center, 250 Greenwich Street, New York, NY 10007, Attention: Public
2487 Finance Group - Full Support Group; and to Standard & Poor's, 55 Water Street, New
2488 York, NY 10041, Attention: Municipal Structured Finance Group. In addition, so long
2489 as the Bonds bear a rating from any Rating Agency, copies of all notices required to be
2490 given under this ordinance shall likewise be given to such Rating Agency at the addresses
2491 set forth in the preceding sentence, and the county shall provide to any Rating Agency
2492 any other information reasonably requested by the Rating Agency to maintain the ratings
2493 of the Bonds.

2494 SECTION 10.5. Legal Investments. The county reserves the right to purchase
2495 Bonds at any time as a legal investment for funds of the county including but not limited
2496 to funds held by the county for the investment pool established pursuant to K.C.C.
2497 Chapter 4.10.

2498 SECTION 10.6. Severability. In case any one or more of the provisions of this
2499 ordinance or of the Bonds shall, for any reason, be held to be illegal or invalid, such
2500 illegality or invalidity shall not affect any other provisions of this ordinance or of such
2501 Bonds, and this ordinance and the Bonds shall be construed and enforced to the end that
2502 the transactions contemplated hereby be effected and the obligations contemplated hereby
2503 be enforced as if such illegal or invalid provisions had not been contained therein.

2504 **SECTION 10.7. Effective Date.** This ordinance shall be effective 10 days after
2505 its enactment, in accordance with Article II of the county charter.
2506

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Gossett, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: A. Form of Bonds, B. Bondholder's Agreement

ATTACHMENT A

Form of Bonds

No. R- _____

\$ _____

UNITED STATES OF AMERICA

KING COUNTY

JUNIOR LIEN VARIABLE RATE DEMAND

SEWER REVENUE BOND, SERIES 2011

MATURITY DATE

ISSUE DATE

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

King County, Washington (the "County"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount specified above and to pay interest thereon from the date hereof, or the most recent date to which interest has been paid or duly provided for, until payment of this Bond at the interest rates determined as provided in the Bond Ordinance (hereinafter identified), payable on each Interest Payment Date.

Both principal of and interest on this Bond are payable in lawful money of the United States of America. [Principal of this Bond is payable to the Registered Owner upon presentation and surrender of this Bond at the office of the fiscal agency of the State of Washington in New York, New York (the "Registrar"), and interest shall be paid by check or draft of the Registrar mailed by first-class mail to the Registered Owner at the

address as it appears on the registration books maintained by the Registrar.] [While bonds are held in an immobilized "book-entry" system of registration, payments of principal thereof and interest thereon shall be made in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations from the County to DTC.] [Notwithstanding the foregoing, so long as this Bond is held by _____ pursuant to the Bank Purchase Agreement, payments of principal of and interest on this Bond will be made in accordance with such Agreement.]

This Bond is one of a duly authorized issue of "King County, Washington, Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2011" (the "Bonds"). The Bonds are issued in the aggregate principal amount of \$_____ under the authority of and in full compliance with the Constitution and statutes of the State of Washington, and pursuant to Ordinance _____ passed by the King County Council on _____, 2011 (the "Bond Ordinance"). Capitalized terms used herein and not otherwise defined have the meanings given them in the Bond Ordinance, unless the context otherwise requires.

The Bonds are issued by the County to finance a portion of the cost of capital improvements to the County's sewer system (the "System").

The Bonds are subject to optional and mandatory tender for purchase and optional redemption prior to maturity as provided in the Bond Ordinance [and in the Bank Purchase Agreement]. This Bond may be transferred and exchanged as provided in the Bond Ordinance.

The Bonds are special limited obligations of the County and are not obligations of the State of Washington or any political subdivision thereof other than the County, and neither the full faith and credit nor the taxing power of the County or the State of Washington or any political subdivision thereof is pledged to the payment of the Bonds.

The County hereby covenants and agrees with the owner of this Bond that it will keep and perform all the covenants of this Bond and of the Bond Ordinance to be by it kept and performed. The County pledges and binds itself to set aside out of the earnings and revenue of the Sewer System and to pay into the Junior Lien Bond Fund the various amounts required by the Bond Ordinance to be paid into said fund, all within the times provided by said ordinance.

The amounts covenanted to be paid out of the Revenue of the System and deposited into the Junior Lien Bond Fund constitute a lien and charge on such Revenue junior, subordinate and inferior to Operating and Maintenance Expenses; junior, subordinate and inferior to the lien and charge on such Revenue for the payments required to be made into the Parity Bond Fund and the accounts therein; junior, subordinate and inferior to the lien and charge on such Revenue of the payments required to be made into the Parity Lien Obligation Bond Fund and the accounts therein; equal to the lien and charge on such Revenue to pay and secure the payment of the outstanding Junior Lien Obligations and any Additional Junior Lien Obligations; and superior to all other liens and charges of any kind or nature, including, *inter alia*, the lien and charge on such Revenue to pay and secure the payment of the Subordinate Lien Obligations, and the SRF Loans and Public Works Trust Fund Loans.

The pledge of revenues and other obligations of the County under the Bond Ordinance may be discharged prior to maturity of the Bonds by making provisions for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

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

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

IN WITNESS WHEREOF, King County, Washington, has caused this Bond to be executed with the manual or facsimile signatures of the County Executive and Clerk of the County Council and caused a facsimile of the official seal of the County to be reproduced hereon.

KING COUNTY, WASHINGTON

(SEAL)

By _____ /s/

County Executive

ATTEST:

By _____ /s/

Clerk of the County Council

The Certificate of Authentication for the Bonds shall be in substantially the following form and shall appear on each Bond:

AUTHENTICATION CERTIFICATE

This Bond is one of the King County, Washington, Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2011, described in the within-mentioned Bond Ordinance.

WASHINGTON STATE FISCAL

AGENCY, as Registrar

By _____

Authorized Signatory

Date of Authentication: _____

ASSIGNMENT

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

TEN COM: as tenants in common

TEN ENT: as tenants by the entireties

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

UNIF GIFT MIN ACT _____ Custodian _____

(Cust)

(Minor)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned registered bond and hereby irrevocably constitute(s) and appoint(s) _____, attorney, to transfer the same on the books of the Registrar with full power of substitution in the premises.

Dated: _____

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution.

BONDHOLDER'S AGREEMENT

\$100,000,000

**King County, Washington
Junior Lien Variable Rate Demand
Sewer Revenue Bonds, Series 2011**

September __, 2011

King County
Department of Finance
500 Fourth Avenue, Room 600
Seattle, Washington 98104-1598

Attention:

Ladies and Gentlemen:

The undersigned, U.S. Bank National Association (“*U.S. Bank*”), acting on its own behalf and not acting as fiduciary or agent for you or any other Person, offers to enter into this Bondholder’s Agreement (this “*Agreement*”) with King County, Washington (the “*Borrower*”), which, upon the Borrower’s written acceptance of this offer, will be binding upon the Borrower and U.S. Bank through and including the date on which this Agreement terminates.

ARTICLE I.

GENERAL

Section 1. Purchase and Remarketing. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, U.S. Bank hereby agrees to purchase from the Borrower all, but not less than all, of the \$100,000,000 aggregate principal amount of the King County, Washington Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2011 (the “*Bonds*”), representing the aggregate principal amount of the Bonds.

Inasmuch as this purchase represents a negotiated transaction, the Borrower understands and hereby confirms that U.S. Bank is not acting as a fiduciary or agent of the Borrower, but rather is acting solely in its capacity as U.S. Bank for its own account.

The Bonds are being issued by the Borrower on the Closing Date (as hereinafter defined), pursuant to the terms of that certain Ordinance No. __ effective as of September __, 2011, as amended and supplemented from time to time in accordance with the terms hereof and thereof (the “*Ordinance*”).

The principal amount of the Bonds, the dated date therefor, the maturities, the sinking fund and optional redemption provisions, the tender provisions and the interest rates per annum are set forth in the Ordinance and in the Bonds.

The purchase price for the Bonds shall equal the par amount of the Bonds.

The Borrower acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction between the Borrower and U.S. Bank, (ii) in connection with such transaction, U.S. Bank is acting solely as a principal and not as an agent or a fiduciary of the Borrower, (iii) U.S. Bank has not assumed a fiduciary responsibility in favor of the Borrower with respect to the Bonds or the process leading to the purchase of the Bonds by U.S. Bank (whether or not U.S. Bank, or any affiliate of U.S. Bank, has advised or is currently advising the Borrower on other matters) and has no other obligation to the Borrower except the obligations expressly set forth in this Agreement, and (iv) the Borrower has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the purchase of the Bonds pursuant to the terms of this Agreement.

ARTICLE II.

DEFINITIONS

Section 2.01. Definitions. As used in this Agreement:

“*Act*” means the comprehensive plan for metropolitan water pollution abatement under the authority of chapters 36.35 and 35.58 of the Revised Code of Washington.

“*Additional Junior Lien Obligations*” has the meaning set forth in the Ordinance.

“*Additional Subordinate Lien Obligations*” has the meaning set forth in the Ordinance.

“*Affiliate*” means with respect to a Person, any Person (whether for-profit or not-for-profit), which “controls,” or is “controlled” by, or is under common “control” with such Person. For purposes of this definition, a Person “controls” another Person when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related entities, the power to direct the management and policies of the other Person, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract, or otherwise.

“*Agreement*” means this Bondholder’s Agreement and any and all future renewals and extension or restatements of, or amendments or supplements thereto.

“*Amortization End Date*” means the earlier to occur of (a) the third (3rd) anniversary of the Initial Bank Purchase Date, (b) the date on which the interest rate on all the Bonds has been converted to an interest rate other than the LIBOR Index Rate applicable during the Initial Period and (c) the date on which all Bonds are redeemed, repaid, prepaid or cancelled in accordance with the terms of the Ordinance.

“*Amortization Payment Date*” means (a) the Initial Amortization Payment Date and each three month anniversary of the Initial Amortization Payment Date occurring thereafter which occurs prior to the Amortization End Date and (b) the Amortization End Date.

“*Amortization Payments*” has the meaning set forth in Section 10(b) hereof.

“*Amortization Period*” has the meaning set forth in Section 10(b) hereof.

“*Applicable Spread*” has the meaning set forth in the Ordinance.

“*Base Rate*” means, for any day, a fluctuating rate per annum equal to the greatest of (i) the Federal Funds Rate plus 2.0%, (ii) the Prime Rate plus 1.0%, (iii) SIFMA Rate plus 1.0% and (iv) 7.5%.

“*Bond Counsel*” means K&L Gates LLP (or another nationally recognized bond counsel selected by the Borrower).

“*Bondholder Representative*” means, initially, U.S. Bank, and its successors and assigns, and upon receipt from time to time by the Borrower and the Registrar of a notice described in Section 8.07(b) hereof means the Person designated in such notice as the Bondholder Representative, as more fully provided in Section 8.07(b) hereof.

“*Bonds*” has the meaning set forth in Section 1 hereof.

“*Borrower*” has the meaning set forth in the introductory paragraph hereof.

“*Business Day*” means a day other than (a) a Saturday, Sunday or (b) a day on which commercial banks located in New York, New York, Los Angeles, California, or the cities in which the designated office of the Registrar are located, are required or authorized by law or executive order to close, (c) a day on which the New York Stock Exchange is closed or (d) a day on which the principal offices of the Calculation Agent or the principal office of U.S. Bank is closed.

“*Calculation Agent*” has the meaning set forth in the Ordinance.

“*Change of Law*” shall mean the adoption, after the Closing Date, of or change in any law, rule, regulation, statute, treaty, guideline or directive of any Governmental Authority or the occurrence of the effective date of any of the foregoing if adopted prior to the Closing Date or any change after the Closing Date in the application, interpretation or enforcement, of any of the foregoing.

“*Closing Date*” means September __, 2011, which, subject to the satisfaction of the conditions precedent set forth in Section 8 hereof, is date on which the Bonds shall be purchased by U.S. Bank.

“Code” means the Internal Revenue Code of 1986, as amended, and, where appropriate any statutory predecessor or any successor thereto.

“Credit Protection Provider” means any Person, including U.S. Bank or any other Purchaser, that provides credit protection or liquidity support in favor of any Person holding a direct or indirect interest in the Bonds.

“Default” means any event or condition which with notice, passage of time or any combination of the foregoing, would constitute an Event of Default.

“Default Tender Date” has the meaning set forth in Section 6.2(c) hereof.

“Default Rate” means, for any day, a rate of interest per annum equal to the Base Rate from time to time in effect plus 3.0%.

“Determination of Taxability” has the meaning set forth in the Ordinance.

“Environmental Law” means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

“Event of Default” has the meaning set forth in Section 6(a) hereof.

“Excess Interest” has the meaning set forth in Section 15 hereof.

“Excluded Taxes” means, with respect to a Purchaser or Credit Protection Provider, taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which such recipient is organized or in which its principal office is located.

“Federal Funds Rate” means, for any day, the rate of interest per annum (rounded upward, if necessary, to the nearest 1/16 of 1%) as determined by the Bondholder Representative (and if the Bondholder Representative is not a commercial bank, by U.S. Bank) at which overnight Federal Funds are offered to the Bondholder Representative (and if the Bondholder Representative is not a commercial bank, by U.S. Bank) for such day by major banks in the interbank market, with any change in such rate to become effective on the date of any change in

such rate. Each determination of the Federal Funds Rate by the Bondholder Representative (and if the Bondholder Representative is not a commercial bank, by U.S. Bank) shall be deemed conclusive and binding on the Borrower absent manifest error.

“GAAP” means generally accepted accounting principles applicable to governmental entities in the State, on a basis consistent with the Borrower’s most recent financial statements furnished to the Bondholder Representative pursuant to Section 4.01(a) hereof.

“Governmental Approval” means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

“Governmental Authority” means any national, state or local government, any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, agency, body, authority, bureau or entity (including the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

“Guarantee” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part).

“Indebtedness” shall mean and include, as of any date as of which the amount thereof is to be determined, (i) all obligations for borrowed money, (ii) all items (other than capital items such as surplus and fund balances, as well as reserves for taxes in respect of income deferred to the future and other deferred credits and reserves) which in accordance with generally accepted accounting principles (including, without limitation, capitalized leases) would be included in determining total liabilities on the balance sheet of a Person as of such date, (iii) all obligations which are secured by any lien existing on Property owned by such Person, whether or not the obligations secured thereby shall have been assumed by any other Person, (iv) all obligations of such Person to purchase any materials, supplies or other Property, or to obtain the services of any other Person, if the relevant contract or other related document requires that payment for such materials, supplies or other Property, or for such services, shall be made regardless of whether or not delivery of such materials, supplies or other Property is ever made or tendered or such services are ever performed or tendered, (v) all obligations of such Person under any Swap Contract, (vi) all Guarantees by such Person for the payment of Indebtedness of others of the character described in (i) through (v) above.

“Initial Amortization Payment Date” means the first Business Day of the third calendar month following the Initial Bank Purchase Date.

“Initial Period” has the meaning set forth in the Ordinance.

“Interest Payment Date” has the meaning set forth in the Ordinance.

“Junior Lien Bond Fund” has the meaning set forth in the Ordinance.

“Junior Lien Obligations” has the meaning set forth in the Ordinance.

“Laws” means, collectively, all Federal, state and local statutes, treaties, rules, quasi-governmental rules, policies, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“LIBOR Index Rate” has the meaning set forth in the Ordinance.

“Lien” on any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset.

“Line of Credit” means that certain Line of Credit Agreement dated December 20, 1995, among the Borrower, Bayerische Landesbank (formerly known as Bayerische Landesbank Girozentrale), acting through its New York Branch and The Bank of New York, as Issuing and Paying Agent, as amended, supplemented or otherwise modified.

“Material Adverse Change” or *“Material Adverse Effect”* means, as to the Borrower, (A) any material adverse change in or effect on (i) the ability of the Borrower to issue the Bonds or otherwise consummate the transactions contemplated by this Agreement or the Ordinance, or (ii) the ability of the Borrower to perform any of its obligations under the Bonds, this Agreement or the Ordinance, taken as a whole, or (B) any material reduction in the Revenue of the System from the most recently delivered annual audited financial statements of the System.

“Maximum Rate” means the lesser of (i) the maximum rate permitted by law and (ii) 25% per annum.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Obligations” means all amounts payable by the Borrower under this Agreement.

“Ordinance” has the meaning set forth in Section 1 of this Agreement.

“Outstanding” has the meaning set forth in the Ordinance.

“*Owner*” has the meaning set forth in the Ordinance.

“*Parity Bonds*” has the meaning set forth in the Ordinance.

“*Parity Lien Obligations*” has the meaning set forth in the Ordinance.

“*Person*” means any individual, corporation, not for profit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

“*Prime Rate*” means the per annum rate announced by the Bondholder Representative (and if the Bondholder Representative is not a commercial bank, U.S. Bank) from time to time as its prime commercial rate for domestic commercial loans, the Prime Rate to change when and as such prime lending rate changes. Such rate is not necessarily the lowest rate charged by the Bondholder Representative (and if the Bondholder Representative is not a commercial bank, U.S. Bank) to its best customers for the use of money. Interest on loans made by the Bondholder Representative (and if the Bondholder Representative is not a commercial bank, U.S. Bank) may be at such rate, in excess of such rate or less than such rate.

“*Property*” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired comprising part of the System.

“*Purchaser*” means, individually or collectively, U.S. Bank and/or any purchaser of all or any portion of the Bonds from U.S. Bank which is eligible to purchase the Bonds pursuant to the terms of Section 8.07(a) hereof.

“*Purchaser Rate*” means the Base Rate from time to time in effect plus 2.0%; *provided* that from and after the occurrence of an Event of Default, the Purchaser Rate shall be the Default Rate.

“*Rating Agencies*” means, individually or collectively, Moody’s and/or S&P, as the context may require.

“*Registrar*” means the Registrar appointed pursuant to the terms of the Ordinance on the Closing Date, and successor thereto appointed in accordance with the terms of the Ordinance and this Agreement.

“*Revenue of the System*” has the meaning set forth in the Ordinance.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

“*SIFMA Rate*” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal

Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Bank and effective from such date. In the event Municipal Market Data no longer produces an index satisfying the requirements of the preceding sentence, the SIFMA Rate (a/k/a, the “*SIFMA Municipal Swap Index*”) shall be deemed to be the S&P Weekly High Grade Index, or if either such index is not available, such other similar national index as reasonably designated by the Bank.

“*Initial Bank Purchase Date*” means the date on which the Bonds are subject to tender for purchase on the last day of the Initial Period pursuant to Section 3.7 of the Ordinance.

“*State*” means the State of Washington.

“*Swap Contract*” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*System*” has the meaning set forth in the Ordinance.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“*Tender Purchase Price*” means an amount equal to 100% of the principal amount of the Bonds subject to tender for purchase on the Initial Bank Purchase Date.

“*Unremarketed Bonds*” means Bonds with respect to which U.S. Bank has not received payment of the Tender Purchase Price, if any, on a Default Tender Date or the Initial Bank Purchase Date.

“*U.S. Bank*” has the meaning set forth in the introductory paragraph hereof.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Ordinance. All references in this Agreement to

times of day shall be references to New York City time unless otherwise expressly provided herein. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES

In order to induce U.S. Bank to enter into this Agreement, the Borrower hereby represents and warrants to U.S. Bank that:

Section 3.01. Existence and Standing. The Borrower is (i) duly established and validly existing under the laws of the State of Washington in accordance with applicable law and has the power and authority granted under such law, and (ii) has all material governmental licenses, authorizations, consents and approvals required to execute, deliver and perform this Agreement, the Bonds and the Ordinance.

Section 3.02. Authorization, No Contravention. The issuance of the Bonds and the execution, delivery and performance by the Borrower of this Agreement and the Ordinance are or were, as applicable, within the Borrower's powers, have been duly authorized by all necessary action, require no action by or in respect of, or filing with, any Governmental Authority. The issuance of the Bonds and the execution, delivery and performance by the Borrower of this Agreement and the Ordinance did not, do not and will not (a) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award as currently in effect to which the Borrower is subject including, without limitation, the Act or any order or decree of any Governmental Authority that relates to the System; (b) result in a breach of or constitute a default under the provisions of the charter of the Borrower or any resolution, indenture, loan or credit agreement or any other agreement, lease or instrument to which the Borrower may be or is subject or by which the System is bound, that would reasonably be expected to result in a Material Adverse Effect; or (c) result in, or require, the creation or imposition of any mortgage, deed of trust, assignment, pledge, lien, security interest or other charge or encumbrance of any nature or with respect to System other than as provided herein and in the Ordinance; and the Borrower is not in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such resolution, indenture, agreement, lease or instrument including, without limitation, the Act and any Environmental Laws to which the System is subject, that would reasonably be expected to result in a Material Adverse Effect.

Section 3.03. Due Execution and Delivery; Binding Effect. (i) This Agreement, the Bonds and the Ordinance have been duly adopted or executed and delivered, as applicable, to the Bondholder Representative by an officer of the Borrower who has been duly authorized to perform such acts; and (ii) (a) this Agreement, the Bonds and the Ordinance constitute legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by the Borrower's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating

to or limiting creditors' rights generally, (b) the Bonds have been duly and validly issued under the Ordinance and entitled to the benefits thereof and (c) the Ordinance is or will be on the Closing Date in full force and effect.

Section 3.04. Reserved.

Section 3.05. Financial Condition. The audited financial statements of the System as of December 31, 2010, and the unaudited quarterly financial summary of the System as of June 30, 2011, with a certification by an authorized financial officer of the Borrower, delivered herewith to the Bank, are true and accurate and fairly present the financial condition and results of operations of the System as of the Closing Date and have been prepared in accordance with GAAP. There are no material liabilities, direct or indirect, fixed or contingent, of the System for which the System is not substantially insured as of the date of the System's financial statements so delivered which are not reflected therein or in the notes thereto. Since December 31, 2010, there has been no material adverse change in the business, financial position, results of operations or prospects of the System.

Section 3.06. Securities Act. No registration of the Bonds is required under the Securities Act of 1933, as amended, and the Ordinance is not required to be qualified under the Trust Indenture Act of 1939, as amended.

Section 3.07. Litigation. There is no action, suit, litigation, investigation or other proceeding pending, or to the knowledge of the Borrower, threatened against the Borrower which, if decided adversely against the Borrower, would affect the issuance of the Bonds or the transactions contemplated hereby and by the Ordinance or would reasonably be expected to have a Material Adverse Effect or which in any manner draws into question the validity or enforceability of any provision of the Bonds or of any material provision of the Ordinance or this Agreement.

Section 3.08. Employee Benefit Plans, Etc. The Borrower is not subject to Title I reporting and disclosure requirements, Title II or Title IV of ERISA and has no obligation or liability under or in respect of any "employee benefit plan" within the meaning of Section 3(3) of ERISA or any other form of bonus, incentive compensation, deferred compensation or other similar plan or arrangement.

Section 3.09. Environmental Laws. Except as disclosed in writing by the Borrower to the Bondholder Representative prior to the Closing Date, the Borrower has not received notice to the effect that the operations of the System are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action would reasonably be expected to have a Material Adverse Effect.

Section 3.10. Status of Bonds. The Bonds have been duly issued under the Ordinance and are be entitled to the benefits thereof and payable as set forth therein and in this Agreement.

Section 3.11. Disclosure. All information heretofore furnished by the Borrower to the Bondholder Representative for purposes of or in connection with this Agreement or any transaction contemplated hereby (and the ability of the Borrower to perform its obligations under the Bonds, this Agreement or Ordinance) is, and all such information hereafter furnished by the Borrower to the Bondholder Representative will be, true, accurate and complete in all material respects or based on reasonable estimates on the date as of which such information is stated or certified and such information does not omit to state a material fact necessary to make such statements and information, in light of the circumstances under which they were made, not misleading in any material respect. Furthermore, the representations, warranties or other statements made by the Borrower in or pursuant to this Agreement or the Ordinance or any other document or financial statement provided by the Borrower to the Bondholder Representative in connection with the purchase of the Bonds, this Agreement or the Ordinance are true and correct. The Borrower has disclosed to the Bondholder Representative in writing any and all facts which materially and adversely affect or may affect (to the extent the Borrower can now reasonably foresee), the business, operations, prospects or condition, financial or otherwise, of the System, or the ability of the Borrower to perform its obligations under the Bonds, this Agreement or the Ordinance.

Section 3.12. Status of Obligations. The principal of and interest on the Bonds and the Obligations constitute a limited obligation of the Borrower. As provided in the Ordinance, the principal of and interest on the Bonds and the Obligations shall be payable from and secured by a Lien on the Revenue of the System. The Ordinance does not permit the issuance of Indebtedness secured by a pledge of the Revenue of the System to rank senior to the Lien on the Revenue of the System securing the payment of the principal of and interest on the Bonds, the Obligations and other Junior Lien Obligations other than Parity Bonds and Parity Lien Obligations. No filing, registering, recording of the Ordinance or any other instrument is required to establish the pledge or perfect, protect or maintain the Lien created thereby on the Revenue of the System.

Section 3.13. Incorporated Representations. The Borrower makes each of the representations, warranties and covenants contained in the Ordinance to, and for the benefit of, the Purchaser as if the same were set forth at length herein together with all applicable definitions thereto. No amendment, modification, termination or replacement of any such representations, warranties, covenants and definitions contained in the Ordinance shall be effective to amend, modify, terminate or replace the representations, warranties, covenants and definitions incorporated herein by this reference, without the prior written consent of the Bondholder Representative. The representations and warranties of the Borrower in all of the Ordinance are true and correct in all material respects.

Section 3.14. Defaults. The Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions in the Ordinance or other resolution, agreement or instrument to which it is a party which would reasonably be expected to have a Material Adverse Effect or which could affect the enforceability hereof or thereof. No Default or Event of Default has occurred or is occurring.

Section 3.15. Sovereign Immunity. The Borrower does not enjoy any rights of immunity on the grounds of sovereign immunity with respect to its Obligations under this Agreement, the Bonds or the Ordinance.

Section 3.16. Senior Debt. With the exception of Outstanding Parity Bonds and Parity Lien Obligations, the Borrower has not issued, incurred, assumed or Guaranteed any Indebtedness which is outstanding and is (i) payable from any source from which any payment may be made on the Bonds and (ii) senior, as to the priority of payment or security, to the Bonds or the Obligations. The Bonds, the Obligations and any Junior Lien Obligations are on a parity as to priority of payment and security as provided in Section 4.3 of the Ordinance.

Section 3.17. No Maximum Rate. The interest rate payable on the Borrower's obligations to the Bank hereunder and on the Bonds is not subject to any limitation under the laws or Constitution of the State which would result in the Maximum Rate being less than 25% per annum or otherwise cause the amounts payable to the Purchaser pursuant to this Agreement and with respect to the Bonds to be in violation of any such limitation.

Section 3.18. Legal Changes. There is no amendment, or to the knowledge of the Borrower, proposed amendment certified for placement on a statewide ballot, to the Constitution or any law of the State or any published administrative interpretation of any law of the State, or any legislation that has passed both houses of the State legislature, or any published judicial decision interpreting any of the foregoing, which would reasonably be expected to have a Material Adverse Effect.

Section 3.19. Certificates of the Borrower. All statements contained in any certificate or other instrument delivered by or on behalf of the Borrower pursuant to or in connection with this Agreement (including, but not limited to, any such statements made in or in connection with any amendment hereto) shall constitute representations and warranties made under this Agreement.

Section 3.20. Permitted Investments. The Borrower has neither made any investment nor entered into any agreements for the purpose of effecting any investment of amounts maintained under the Ordinance which are not permitted pursuant to the Ordinance.

Section 3.21. Regulations U and X. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X issued by the Board of Governors of the Federal Reserve System).

Section 3.22. Tax-Exempt Status of Bonds. The Borrower has not taken any action or omitted to take any action, and knows of no action taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 3.23. Taxes. The Borrower has filed any Federal, state and other material tax returns and reports required to be filed, and has paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested

in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP, if any. There is no proposed tax assessment against the Borrower that would, if made, have a Material Adverse Effect.

Section 3.24. Casualty. Neither the business nor the Property of the System is currently affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance), which could have a Material Adverse Effect.

Section 3.25. Swap Termination Payments In no event shall any lien on the Revenue of the System securing any termination payments pursuant to any Swap Contract be prior in priority to the lien on the Revenue of the System securing the Bonds or the Obligations.

Section 3.26. No Acceleration. No credit provider, liquidity provider, bond insurer or any other Person is permitted to accelerate or otherwise cause the maturity of any Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, Junior Lien Obligations or Subordinate Lien Obligations to become due prior to its respective scheduled terms, except as provided in the Line of Credit.

Section 3.27. Compliance with Laws. The Borrower is in compliance with all Laws, ordinances, orders, rules and regulations applicable to the System (including, without limitation, ERISA), except to the extent noncompliance would not reasonably be expected to result in a Material Adverse Effect.

ARTICLE IV.

COVENANTS OF THE BORROWER

Section 4.01. Financial Information of Borrower. The Borrower shall maintain a standard system of accounting and provide the Bondholder Representative with the following:

- (a) within 210 days after the end of each fiscal year or as soon thereafter as available, an electronic copy of the annual audited financial statements of the System;
- (b) within seven months after the end of each fiscal year or as soon thereafter as available, written notice that the Borrower's Comprehensive Annual Financial Report (CAFR) is available on the Borrower's website (currently www.kingcounty.gov);
- (c) as soon as available after the end of each quarter of each fiscal year, an electronic copy of the unaudited financial status report of the System, such financial summary to be as of the end of such quarter, in each case, subject to audit and year-end adjustments;
- (d) as soon as available and, in any event, within 30 days after the beginning of the year being budgeted, written notice that the Borrower's budget for the new fiscal year is available on the Borrower's website (currently www.kingcounty.gov);

(e) together with the audited financial statements referred to in paragraphs (a) above, a certificate in the form of Annex I hereof of an authorized officer of the Borrower (A) stating whether, to the best of his knowledge after diligent inquiry, any Default or Event of Default has occurred and, if so, stating the facts with respect thereto, (B) stating that, to the best of his knowledge after diligent inquiry, the representations and warranties of the Borrower contained in Article III hereof are true with the same effect as though such representations and warranties had been made at and as of the date of such certificate, and (C) certifying that the Borrower remains in compliance with the terms and provisions of the Ordinance;

(f) reserved;

(g) promptly upon the availability thereof, a copy of any official statement, offering memorandum or other disclosure documents relating to the offering of any Parity Bonds;

(h) promptly after obtaining knowledge thereof, written notice of any change in the long-term unenhanced ratings assigned by any Rating Agency to any Parity Bonds, Parity Lien Obligations or Junior Lien Obligations;

(i) as soon as available to the Borrower, copies of all enacted legislation which, to the best knowledge of the Borrower, relates to, in any material way, or impacts upon the Bonds, this Agreement or the Ordinance or the ability of the Borrower to perform its obligations in connection herewith or therewith; and

(j) from time to time such additional information regarding the financial position, operations, business or prospects for the System as the Bondholder Representative may reasonably request.

Section 4.02. Notices of Certain Events. The Borrower shall give prompt notice in writing to the Bank upon becoming aware of the occurrence of (i) a Default or an Event of Default, (ii) any default or “Event of Default” under the Ordinance, (iii) any development, financial or otherwise, which the Borrower reasonably expects would result in a Material Adverse Effect, (iv) notice of the failure by the Registrar to perform any of its obligations under the Ordinance or this Agreement, and (v) such further financial and other information with respect to the Borrower and its affairs as the Bank may reasonably request from time to time.

Section 4.03. Existence. The Borrower shall maintain its existence as a political subdivision of the State.

Section 4.04. Payment of Taxes and Other Obligations. The Borrower shall pay all taxes, assessments, and governmental charges or levies imposed upon it or upon or against the System and all lawful claims which, if unpaid, might become a lien or charge upon any of the properties of the System.

Section 4.05. Insurance. The Borrower shall maintain or cause to be maintained insurance or self-insurance covering such casualties and contingencies, of such types as are presently covered and in such amounts as required by the Ordinance.

Section 4.06. Compliance with Laws. The Borrower shall comply with all laws, ordinances, orders, rules and regulations that are applicable to the System if the failure to comply would reasonably be expected to have a Material Adverse Effect.

Section 4.07. Incorporation of Covenants. From and after the date hereof and so long as this Agreement is in effect, except to the extent compliance in any case or cases is waived in writing by the Bondholder Representative, the Borrower agrees that it will, for the benefit of the Purchaser, comply with, abide by, and be restricted by all the agreements, covenants, obligations and undertakings contained in the provisions of the Ordinance, regardless of whether any indebtedness is now or hereafter remains outstanding thereunder, together with the related definitions, exhibits and ancillary provisions, all of which are incorporated herein by reference, *mutatis mutandis*, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety, and no amendment, modification or waiver to any of the foregoing shall in any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein unless consented to in writing by the Bondholder Representative.

Section 4.08. Maintenance of Tax-Exempt Status of the Bonds. The Borrower shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Section 4.09. Maintenance of Property. The Borrower shall maintain, preserve and keep all of the Properties of the System in accordance with the terms of the Ordinance.

Section 4.10. Books and Records. The Borrower shall keep accurate and complete books, accounts, and records in which complete entries shall be made in accordance with the Budget Accounting and Reporting System (“BARS”) prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute), reflecting all financial transactions and will permit representatives of the Bondholder Representative at the Bondholder Representative’s expense (unless a Default or Event of Default shall have occurred and, in such case, at the expense of the Borrower) to visit and inspect any of its properties, to examine and make abstracts from any of its books and records and to discuss its affairs, finances and accounts with its officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

Section 4.11. Maintenance of Approvals, Filings and Registrations. At all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for the execution, delivery and performance of this Agreement, the Bonds and the Ordinance, and to make such agreements legal, valid, binding and enforceable.

Section 4.12. Swap Termination Payments. The Borrower shall not create or suffer to exist any Lien upon or with respect to any of the funds or accounts created under the Ordinance except these Liens specifically permitted under the Ordinance; *provided, however,* that in no event shall any Lien upon or with respect to any of the funds or accounts created under the Ordinance securing any swap termination payments pursuant to any Swap Contract be first in priority to, or on parity with, the Lien on the Revenue of the System securing the payment of principal or interest on the Bonds or the other Obligations owed the Purchaser hereunder or under the Ordinance.

Section 4.13. Margin Stock. The Borrower shall not use the proceeds of the Bonds to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

Section 4.14. Hedging Agreements. If the Borrower shall in conjunction with or after the Closing Date, enter into any Swap Contract with respect to the Bonds, with the foregoing to effectively limit the amount of interest that the Borrower must pay on the notional amounts of the Bonds, such hedging arrangements shall be with a counterparty with a long-term rating of "AA-" (or its equivalent) or better.

Section 4.15. No Partial Conversion. The Borrower shall not convert or permit the conversion of the interest rate on less than all the Bonds to any other interest rate mode other than the LIBOR Index Rate applicable during the Initial Period under the Ordinance without the prior written consent of the Bondholder Representative.

Section 4.16. Conversion or Placement of the Bonds. In the event that the Bondholder on or prior to the sixtieth (60th) day preceding the Initial Bank Purchase Date has not delivered to the Registrar notice under Section 2.9(i) of the Ordinance, resulting in the Bonds being subject to tender, the Borrower shall use its best efforts to cause the placement of the Bonds with another holder in a subsequent LIBOR Index Rate or the remarketing the Bonds to another Owner in connection with the conversion of the interest rate on the Bonds to an interest rate mode other than the LIBOR Index Rate applicable during the Initial Period.

Section 4.17. Remarketing of the Bonds. Upon the occurrence of any Event of Default and, as a result of any such Event of Default, the Bondholder Representative directs a mandatory tender of the Bonds and requires that the Borrower pay to the Bondholder the purchase price (equal to 100% of the principal amount of the Bonds outstanding plus accrued interest thereon to the related purchase date) of such Bonds, the Borrower shall use its best efforts to cause the placement of the Bonds with another holder at a subsequent LIBOR Index Rate or remarketing the Bonds to another Owner with the Bonds bearing interest at an interest rate mode other than the LIBOR Index Rate applicable during the Initial Period.

Section 4.18. Ratings on Parity Bonds, Parity Lien Obligations and Junior Lien Obligations. The Borrower shall at all times maintain at least one rating on Parity Bonds, Parity Lien Obligations and the Junior Lien Obligations from at least one Rating Agency.

Section 4.19. Bond Proceeds. The Borrower shall use the proceeds of the Bonds for the purposes set forth in the Ordinance.

Section 4.20. Further Assurance. The Borrower shall execute and deliver to the Bondholder Representative all such documents and instruments and do all such other acts and things as may be necessary or reasonably required by the Bondholder Representative to enable the Bondholder Representative to exercise and enforce its rights under this Agreement and the Ordinance and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or reasonably required by the Bondholder Representative to validate, preserve and protect the position of Owners with respect to the Bonds and under this Agreement.

Section 4.21. Notice of Litigation, Etc. The Borrower shall give prompt notice in writing to the Bondholder Representative of any litigation or administrative proceeding related to the System that would reasonably be expected to have a Material Adverse Effect.

Section 4.22. Appointment of Successors and Replacements. The fiscal agent for the State, currently The Bank of New York Mellon Trust Company, N.A., is the duly appointed and acting Registrar. The Borrower must obtain the prior written approval of the Bondholder Representative, such approval not to be unreasonably withheld, before a successor or assignee Registrar can be appointed by the Borrower (other than a successor State fiscal agent). The Borrower shall use its best efforts to replace the Registrar upon the request of the Bondholder Representative if such request is made for cause.

Section 4.23. No Immunity. The Borrower agrees to the extent that the Borrower has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the Borrower hereby irrevocably waives such rights to immunity for itself in respect of its obligations arising under or related to this Agreement, the Bonds or the Ordinance.

Section 4.24. Ordinance. The Borrower agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by the Borrower in the Ordinance and in each case such provisions, together with the related definitions of terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety.

Section 4.25. Amendments. The Borrower shall not amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination, modification, or grant of a waiver under the Ordinance if such amendment, termination, modification or grant of a waiver would adversely affect the rights, security or interests of the Owners, with respect to the Bonds or in connection with this Agreement or the Ordinance, in each case, without the prior written consent of the Bondholder Representative.

Section 4.26. Conversions. The Borrower shall not convert any Bonds from the LIBOR Index Rate applicable during the Initial Period without the prior written consent of the Bondholder Representative if, after giving effect to such conversion, there would be any amounts payable to the Owners hereunder or under the Bonds that shall not have been paid in full.

Section 4.27. Credit Facilities. In the event that the Borrower shall, directly or indirectly, enter into or otherwise consent to any credit agreement, liquidity agreement, direct purchase agreement or other similar agreement or instrument (or any amendment, supplement or modification thereto) (each such agreement referred to herein as a “*Bank Agreement*”) under which, directly or indirectly, any Person or Persons undertakes to make loans or extend credit or liquidity to, or purchase securities issued by, the Borrower secured by a pledge of Revenue of the System on a parity with or subordinate to the Bonds, which such Bank Agreement provides such Person with more restrictive covenants, additional or different events of default and/or greater rights and remedies upon the occurrence of a default thereunder (including, without limitation, acceleration) than are provided in this Agreement, the Borrower shall provide the Bondholder Representative with a copy of each such Bank Agreement and such more restrictive covenants, additional or different events of default and/or greater rights and remedies upon the occurrence of a default thereunder shall automatically be deemed to be incorporated into this Agreement and the Bondholder Representative and the Purchaser shall have the benefit of such more restrictive covenants, additional or different events of default and/or such greater rights and remedies as if specifically set forth herein. Upon the request of the Bondholder Representative, the Borrower shall promptly enter into an amendment to this Agreement to include such more restrictive covenants and/or greater rights or remedies (provided that the Bondholder Representative and the Purchaser shall maintain the benefit of such more restrictive covenants, additional or different events of default and/or greater rights and remedies even if the Borrower fails to provide such amendment).

Section 4.28. Acceleration. In the event a default occurs under the Line of Credit that results in the acceleration of any amounts owed thereunder, (i) the Borrower shall immediately give notice of such event to the Bondholder Representative and (ii) the Bonds shall be automatically accelerated pursuant to Section 6.2(a) of the Ordinance.

ARTICLE V.

DEFAULTS AND REMEDIES

Section 5.01. Events of Default. The following provisions are Events of Default applicable to the Bonds while they are held by the Purchaser:

(a) any representation or warranty made by the Borrower in this Agreement (or incorporated herein by reference) or in the Ordinance or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with this Agreement or the Ordinance, shall prove to have been incorrect, incomplete or misleading in any material respect when made or deemed made;

(b) any “*event of default*” shall have occurred and be continuing beyond the applicable grace period under the Ordinance (as defined therein);

(c) the Borrower fails to pay, or cause to be paid, when due (i) any principal of or interest on the Bonds or (ii) any other Obligation owed to the Purchaser hereunder

or under the Ordinance and, with respect to this clause (c)(ii) only, such failure shall continue for five (5) days;

(d) default in the due observance or performance by the Borrower of any covenant set forth in Section 4.01(a), 4.01(b), 4.03, 4.08, 4.12, 4.13, 4.14, 4.15, 4.18, 4.19, 4.21, 4.22, 4.24 or 4.25 hereof;

(e) default in the due observance or performance by the Borrower of any other term, covenant or agreement set forth in (or incorporated by reference in) this Agreement (other than those referred to in Sections 5.01(a), 5.01(b), 5.01(c) and 5.01(d) hereof) and the continuance of such default for thirty (30) days after the occurrence thereof;

(f) (i) a court or other Governmental Authority with jurisdiction to rule on the validity of this Agreement, the Ordinance or the Bonds shall find, announce or rule that any material provision of this Agreement, the Bonds or the Ordinance is not valid and binding; or (ii) the Borrower shall contest the validity or enforceability of any material provision of this Agreement, the Bonds or the Ordinance, or shall seek an adjudication that this Agreement, the Bonds or the Ordinance is not valid and binding or repudiate its obligations under this Agreement, the Bonds or the Ordinance;

(g) any material provision of this Agreement, the Bonds or the Ordinance shall cease to be valid and binding;

(h) one or more final, non-appealable judgments against the Borrower and not covered by insurance, or attachments against the property of the System, the operation or result of which, individually or in the aggregate, equal or exceed \$5,000,000 shall remain unpaid, unstayed, undischarged, unbonded, undismissed and not subject to a payment plan for a period of thirty (30) days;

(i) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal or interest on any obligation secured by a lien, charge or encumbrance upon the Revenue of the System; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the Borrower seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; (iii) the Borrower seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the Borrower's property, or the Borrower shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the Borrower any case, proceeding or other action of a nature referred to in clause (ii) above and the same shall remain undismissed or unbonded for a period of 60 days or result in the entry of an order for relief; (v) there shall be commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief or which shall not have been vacated,

discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof; (vi) the Borrower takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above; or (vii) the Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(j) either of Moody's or S&P shall have downgraded its long-term unenhanced rating of any Indebtedness of the Borrower secured by a lien on and pledge of the Revenues of the System that ranks senior to or on a parity with the Bonds to below "Baa1" (or its equivalent) or "BBB+" (or its equivalent), respectively, or suspended or withdrawn its rating of the same;

(k) the Borrower shall (i) default in any payment of any obligation (other than the Bonds) secured by a charge, lien or encumbrance on the Revenue of the System that ranks senior to or on a parity with the Bonds ("*Secured Debt*"), beyond the period of grace, if any, provided in the instrument or agreement under which such Secured Debt was created, or (ii) default in the observance or performance of any agreement or condition relating to any Secured Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Secured Debt (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Secured Debt to become due prior to its stated maturity; and

(l) a Determination of Taxability shall have occurred.

Section 5.02. Remedies. Upon the occurrence of an Event of Default, the Bondholder Representative may exercise any one or more of the following rights and remedies (all of which shall be cumulative):

(a) Exercise the Purchaser's rights under the Ordinance as a holder of the Bonds or direct the Registrar or Bondowners' Trustee (as defined in the Ordinance), as applicable, to take any action permitted under the Ordinance.

(b) Enforce the provisions of this Agreement by legal proceedings for the specific performance of any covenant or agreement contained herein or for the enforcement of any other appropriate legal or equitable remedy. The Bondholder Representative may recover damages caused by any breach by the Borrower of the provisions of this Agreement, the Bonds or the Ordinance, including court costs, reasonable outside attorneys' fees and other out-of-pocket costs and expenses incurred in the enforcement of the obligations of the Borrowers hereunder.

(c) Upon the occurrence of any Event of Default as described in Section 5.01 hereof, the Bondholder Representative may provide written notice ("*Mandatory Tender Notice*") thereof to the Registrar requiring the Registrar to direct a mandatory tender of the Bonds in accordance with the Ordinance and such Bonds shall be subject to

mandatory tender on a date determined by the Bondholder Representative which at least twenty (20) days after the date on which the Bondholder Representative provides such Mandatory Tender Notice (the “*Default Tender Date*”). In the event that the purchase price of the Bonds is not paid to the Bank on the Default Tender Date, the Bonds shall bear interest at the Default Rate and shall be payable on demand.

(d) Exercise all other rights and remedies which the Purchaser’s may have under any agreement or under applicable law.

ARTICLE VI.

CLOSING

Section 6.01. Closing. (a) At or before 12:00 noon (Pacific Time), on the Closing Date, the Borrower will, subject to the terms and conditions hereof, cause the Bonds to be delivered to or for the benefit of U.S. Bank or its agent duly executed and authenticated, the Agreement and the Ordinance and other documents hereinafter mentioned, and U.S. Bank will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Agreement by a wire transfer payable in immediately available funds to the Borrower for purchase of the Bonds.

(b) Delivery of the Bonds to U.S. Bank shall be made by physical delivery to U.S. Bank.

ARTICLE VII.

CLOSING CONDITIONS.

Section 7.01. Closing Conditions. U.S. Bank has entered into this Agreement and agreed to purchase the Bonds in reliance upon the representations, warranties and agreements of the Borrower contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the Borrower of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, U.S. Bank’s obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Borrower of its obligations to be performed hereunder and under such documents and instruments on or prior to the Closing Date, and shall also be subject to the following additional conditions, including the delivery by the Borrower of such documents as are enumerated herein, in form and substance reasonably satisfactory to U.S. Bank:

(a) On the Closing Date, (i) the Ordinance shall be in full force and effect in the form heretofore approved by U.S. Bank and the Ordinance shall not have been amended, modified or supplemented (except to the extent that any such amendment, modification or supplement has been provided to U.S. Bank); (ii) there shall not have occurred any change or any development involving a prospective change in the financial

or operating condition of the System, from that set forth in the financial statements (described in Section 3.05 hereof) provided to U.S. Bank that in the judgment of U.S. Bank is material and adverse to U.S. Bank; (iii) the representations and warranties of the Borrower contained herein shall be true, complete and correct on the date hereof and on the Closing Date, as if made on the Closing Date and (iv) the Borrower shall have performed and complied with all agreements and conditions required by the this Agreement and the Ordinance to be performed or complied with by it prior to the Closing Date;

(b) On or prior to the Closing, the this Agreement and the Ordinance shall have been duly executed and delivered; and the Borrower shall have duly adopted and there shall be in force and effect such other resolutions or other enactments as shall be necessary in connection with the transactions contemplated hereby and thereby;

(c) The Borrower shall not have failed to pay principal of or interest as and when due on any of its Parity Bonds, Parity Lien Obligations or Junior Lien Obligations;

(d) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement and the Ordinance shall be reasonably satisfactory in legal form and effect to U.S. Bank;

(e) On or prior to the Closing Date, U.S. Bank shall have received certified or executed copies, as applicable, of each of the following documents:

(1) the Ordinance with such supplements or amendments as may have been agreed to by the Borrower and U.S. Bank;

(2) (a) a written opinion of Bond Counsel, addressed to U.S. Bank and any subsequent bondholder from time to time, and dated the Closing Date in form and substance satisfactory to U.S. Bank and its counsel which includes an opinion as to the exemption of interest on the Bonds from federal income taxation and (b) a written opinion of counsel to the Borrower, addressed to U.S. Bank and any subsequent bondholder from time to time, in the form and substance satisfactory to U.S. Bank and its counsel;

(3) a certificate of the Borrower in form and substance satisfactory to U.S. Bank to the effect that, among other things, (A) the representations and warranties of the Borrower herein are true and correct in all material respects, (B) that no default or event of default shall have occurred and be continuing under this Agreement or the Ordinance, in each case, as of the Closing Date, (C) the conditions precedent set forth in this Section 7 have been satisfied, and (D) as of the Closing Date, no Material Adverse Effect has occurred;

(4) (a) the most recent rating letter from Moody's and S&P demonstrating that the underlying unenhanced long-term rating assigned to any

Junior Lien Obligations is at least “A1” and “A+”, respectively (the “Current Ratings”) and (b) a letter from the Borrower certifying to U.S. Bank that the Borrower has not received notice from Moody’s or S&P that the Current Ratings have been reduced, withdrawn or suspended;

(5) true and correct copies of all Governmental Approvals, if any, necessary for the Borrower to execute, deliver and perform the Bonds, the Ordinance and this Agreement to which it is a party;

(6) a written description of all actions, suits or proceedings pending or threatened against the Borrower with respect to the System or the Properties of the System in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body, if adversely determined against the Borrower would reasonably be expected to result in a Material Adverse Effect, and such other statements, certificates, agreements, documents and information with respect thereto as the U.S. Bank may reasonably request;

(7) such additional legal opinions, certificates, instruments and other documents U.S. Bank may reasonably request with respect to the Borrower, or to evidence the truth and accuracy, as of the date hereof and on the Closing Date, of the Borrower’s representations and warranties contained herein and the due performance or satisfaction by the Borrower on or prior to the Closing Date of all the respective agreements then to be performed and conditions then to be satisfied by the Borrower; and

(8) the most recent audited financial statements of the Borrower for the fiscal year ended December 31, 2010.

(f) On the Closing Date, the Borrower shall pay the reasonable fees and expenses of outside counsel to U.S. Bank in an amount not to exceed \$45,000 plus disbursements.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to U.S. Bank.

If the Borrower shall be unable to satisfy the conditions to the obligations of U.S. Bank to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of U.S. Bank to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither U.S. Bank nor the Borrower shall be under any further obligation hereunder.

ARTICLE VIII.

MISCELLANEOUS

Section 8.01. Expenses. (a) U.S. Bank shall be under no obligation to pay, and the Borrower shall pay, any expenses incident to the performance of the Borrower's obligations hereunder, including, but not limited to (i) the fees and disbursements of (x) Bond Counsel and (y) outside counsel to U.S. Bank (not to exceed \$45,000, plus disbursements); (ii) the fees and disbursements of any other outside accountants, attorneys and other experts, consultants or advisers retained by the Borrower and (iii) U.S. Bank's out-of-pocket expenses in connection with the transaction in an amount not to exceed \$_____.

(b) *Amendment, Waiver and Consent Fees.* The Borrower shall pay an amendment, consent or waiver fee, as applicable, for each amendment of this Agreement or the Ordinance, consent by U.S. Bank with respect to any amendment to this Agreement or the Ordinance or waiver by U.S. Bank under this Agreement or the Ordinance, in each case in a minimum amount of \$2,500 plus the reasonable fees and expenses of outside counsel to U.S. Bank.

Section 8.02. Payment Obligations. (a) The Borrower hereby unconditionally, irrevocably and absolutely agrees to make prompt and full payment of all payment obligations owed to the Purchaser under the Bonds, this Agreement and the Ordinance and to pay any other Obligations owing to the Purchaser whether now existing or hereafter arising, irrespective of their nature, whether direct or indirect, absolute or contingent, with interest thereon at the rate or rates provided in this Agreement or the Ordinance and under such Obligations.

(b) In the event the Bank has not received the Tender Purchase Price on the Initial Bank Purchase Date, the Borrower shall cause the Unremarketed Bonds to be redeemed or purchased in lieu of redemption on the Initial Bank Purchase Date; *provided* that, if the Borrower is required to redeem Unremarketed Bonds as set forth above and (i) no Default or Event of Default shall have occurred and be continuing and (ii) the representations and warranties set forth in Section 3 shall be true and correct in all material respects, in each case, on the Initial Bank Purchase Date, then the Borrower shall cause the principal amount of such Bonds to be redeemed in installments payable on each Amortization Payment Date commencing on the Initial Amortization Payment date (each such payment, an "*Amortization Payment*"), with the final installment in an amount equal to the entire then-outstanding principal amount of such Bonds to be redeemed on the Amortization End Date (the period commencing on the Initial Bank Purchase Date and ending on the Amortization End Date is herein referred to as the "*Amortization Period*"). Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Amortization Period. During the Amortization Period, interest on Unremarketed Bonds shall accrue at the Purchaser Rate and be payable monthly in arrears on the first Business Day of each calendar month.

(ii) The Borrower also agrees to pay or cause to be paid to the Purchaser interest on the unpaid principal amount of the Unremarketed Bonds at the Purchaser's Rate or Default Rate, as applicable. All computations of interest on Bonds and Unremarketed Bonds shall be made on the basis of a 360-day year for the actual number of days elapsed.

(iii) Notwithstanding the foregoing, the principal and interest on the Unremarketed Bonds and all other amounts due and owing hereunder shall be due and payable (A) on the date on which the Bonds mature or are redeemed, prepaid, defeased or canceled in accordance with the Ordinance or (B) the date on which the Bonds are remarketed in connection with the conversion of the interest rate on all of the Bonds to an interest rate mode other than the LIBOR Index Rate applicable during the Initial Period.

(c) The Borrower shall pay within thirty (30) days after demand:

(i) if an Event of Default shall have occurred, all reasonable out-of-pocket expenses of the U.S. Bank in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights under this Agreement, the Ordinance and such other documents which may be delivered in connection therewith;

(ii) the reasonable fees and out-of-pocket expenses for counsel or other reasonably required consultants to the U.S. Bank in connection with advising the U.S. Bank as to its rights and responsibilities under this Agreement and the Ordinance or in connection with responding to requests from the Borrower for approvals, consents and waivers;

(iii) any amounts advanced by or on behalf of the U.S. Bank to the extent required to cure any Default, Event of Default or event of nonperformance hereunder or under the Bonds or the Ordinance, together with interest at the Default Rate; and

(iv) all reasonable fees, costs and expenses of any consultants providing services to the Borrower or the U.S. Bank in accordance with this Agreement.

In addition, if at any time any Governmental Authority shall require revenue or other documentary stamps or any other tax in connection with the execution or delivery of this Agreement, the Bonds or the Ordinance, then, if the Borrower lawfully may pay for such stamps, taxes or fees, the Borrower shall, to the extent permitted by law, pay, when due and payable, for all such stamps, taxes and fees, including interest and penalties thereon, and the Borrower, to the extent permitted by law, agrees to save the Purchaser harmless from and against any and all liabilities with respect to or resulting from any delay of Borrower in paying, or omission of Borrower to pay, such stamps, taxes and fees hereunder.

(d) The Borrower shall pay to the Purchaser an optional redemption or conversion fee in connection with each optional redemption of all or any portion of the Bonds or each conversion of the interest rate on all or any portion of the Bonds from the LIBOR Index Rate applicable during the Initial Period prior to September __, 2013, in an amount equal to the product of (A) the Applicable Spread in effect on the date of optional redemption or conversion, as applicable, (B) the principal amount of the Bonds to be optionally redeemed or converted to an interest rate mode other than the LIBOR Index Rate applicable during the Initial Period, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such optional redemption or conversion, as applicable, to and including September __, 2013, and the denominator of which is 360, payable on the date that all or any portion of the Bonds are

optionally redeemed or the date on which the interest rate on all or any portion of the Bonds are converted to bear interest at a rate other than the LIBOR Index Rate. At any time after September __, 2013, the Borrower may optionally redeem all or any portion of the Bonds or convert the interest rate on all or any portion of the Bonds from the LIBOR Index Rate applicable during the Initial Period upon giving the Bank at least thirty (30) days prior written notice.

Section 8.03. Increased Payments. (a) If, on or after the date of this Agreement, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation, promulgation, implementation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof including, notwithstanding the foregoing, all requests, rules, guidelines or directives in connection with Dodd-Frank Wall Street Reform and Consumer Protection Act regardless of the date enacted, adopted or issued, or compliance by any Purchaser or Credit Protection Provider with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(1) subjects any Purchaser or Credit Protection Provider to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Purchaser or Credit Protection Provider hereunder, or

(2) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Purchaser or Credit Protection Provider, or

(3) imposes any other condition the result of which is to increase the cost to any Purchaser or Credit Protection Provider with respect to this Agreement, the Bonds or its making, maintenance or funding of the Bonds or any security therefor, or reduces any amount receivable by any Purchaser or Credit Protection Provider with respect to this Agreement, the Bonds, or the making, maintenance or funding of any loan or participations therein, or requires any Purchaser or Credit Protection Provider to make any payment calculated by reference to any amount received by with respect to this Agreement, the Bonds, or the making, maintenance or funding of any loan, by an amount deemed material by such Purchaser or Credit Protection Provider as the case may be,

and the result of any of the foregoing is to increase the cost to such Purchaser or Credit Protection Provider, as the case may be, with respect to this Agreement, the Bonds, or the making, maintenance or funding of any loan or of issuing or participating the same or to reduce the return received by such Purchaser or Credit Protection Provider, as the case may be, in connection with the same, then, to the extent permitted by law, within 15 days of demand by such Purchaser or Credit Protection Provider, as the case may be, the Borrower shall pay such Purchaser or Credit Protection Provider, as the case may be, such additional amount or amounts as will compensate such Purchaser or Credit Protection Provider, as the case may be, for such increased cost or reduction in amount received.

(b) If a Purchaser or Credit Protection Provider determines the amount of capital required or expected to be maintained by such Purchaser or Credit Protection Provider, or any corporation controlling such Purchaser or Credit Protection Provider is increased as a result of a Change (as hereinafter defined), then, within 15 days of demand by such Purchaser or Credit Protection Provider, the Borrower shall, to the extent permitted by law, pay such Purchaser or Credit Protection Provider the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Purchaser or Credit Protection Provider determines is attributable to this Agreement or the Bonds, as the case may be, hereunder (after taking into account such Purchaser's or Credit Protection Provider's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines (as hereinafter defined) or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) or in the interpretation, promulgation, implementation or administration thereof after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Purchaser or Credit Protection Provider or any corporation controlling any Purchaser or Credit Protection Provider. Notwithstanding the foregoing, for purposes of this Agreement, all requests, rules, guidelines or directives in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act shall be deemed to be a Change regardless of the date enacted, adopted or issued and all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities shall be deemed to be a Change regardless of the date adopted, issued, promulgated or implemented. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

(c) The obligations of the Borrower under this Section 8.03 shall survive the termination of this Agreement and the redemption or other payment in full of the Bonds.

(d) Upon the occurrence of an Event of Default, the Obligations shall bear interest at the Default Rate and which shall be payable by the Borrower to such Purchaser upon demand therefor.

(e) In the event any Purchaser or Credit Protection Provider, other than U.S. Bank, determines to impose costs pursuant to this Section 8.03, such Purchaser or Credit Protection Provider may not impose such costs in excess of what U.S. Bank could impose pursuant to this Section 8.03, had U.S. Bank been the sole purchaser hereunder.

Section 8.04. Funding Indemnity. In the event a Purchaser shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by any Purchaser to purchase or hold the Bonds or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to any Purchaser) as a result of any redemption of the Bonds on a date other than an Interest Payment Date for any reason, whether before or after

default, and whether or not such payment is required by any provision of this Agreement or the Ordinance, then upon the demand of such Purchaser, to the extent permitted by law, the Borrower shall pay to the related Purchaser a redemption premium in such amount as will reimburse such Purchaser for such loss, cost, or expense. If the related Purchaser requests such redemption premium, it shall provide to the Borrower a certificate setting forth the computation of the loss, cost, or expense giving rise to the request for such redemption premium in reasonable detail and such certificate shall be conclusive if reasonably determined.

Section 8.05. Interest Rate Recapture. (a) To the extent permitted by applicable law, if the rate of interest payable on the Bonds or any Obligation hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (i) interest at the Maximum Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof without regard to the limitation of the Maximum Rate and (B) the Maximum Rate (the “*Excess Interest*”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof without regard to the limitation of the Maximum Rate ceases to exceed the Maximum Rate, at which time the Borrower shall pay to the Purchaser with respect to amounts then payable to the Purchaser with respect to the Bonds or any Obligation hereunder that are required to accrue interest hereunder or under the Bonds, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Purchaser to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder and under the Bonds until all deferred Excess Interest is fully paid to the Purchaser. To the extent permitted by applicable law, upon the termination of this Agreement and payment of all amounts due and owing the Purchaser with respect to the Bonds and the Obligations hereunder, in consideration for the limitation of the rate of interest otherwise payable hereunder and under the Bonds, the Borrower shall pay to the Purchaser a fee equal to the amount of all unpaid deferred Excess Interest. In determining whether or not any interest payable under this Agreement or with respect to the Bonds exceeds the Maximum Rate, any non-principal payment (except payments specifically stated in this agreement to be “*interest*”) shall be deemed, to the extent permitted by applicable law, to be an expense, fee, premium or penalty rather than interest.

(b) Notwithstanding the foregoing, on the date on which no principal or interest on the Bonds remains unpaid, the Borrower shall pay to the Purchaser, to the extent permitted by law, a fee equal to any accrued and unpaid Excess Interest.

Section 8.06. Notices. Any notice or other communication to be given to the Borrower under this Agreement may be given by delivering the same in writing at [King County, 500 Fourth Avenue, 6th Floor, Seattle, WA. 98104, Attention: Nigel Lewis, facsimile number \(206\) 296-7345](#), and any notice or other communication to be given to U.S. Bank under this Agreement may be given by delivering the same in writing to U.S. Bank National Association, 633 West 5th Street, 25th Floor, Los Angeles, California 90071, Attention: Ashley Martin, phone number (213) 615-6241 and facsimile number (213) 615-6248.

Section 8.07. Parties in Interest. (a) This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Borrower, the

Bondholder Representative and the Purchaser, and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Borrower. Notwithstanding any other provision of this Agreement or the Ordinance to the contrary, the Purchaser may, without the consent of the Borrower, assign, pledge as security, participate or sell the Bonds or a beneficial interest in the Bonds, subject to applicable securities laws restrictions, if any, to (i) any Affiliate of U.S. Bank or (ii) any special purpose entity or arrangement which issues certificates representing a beneficial interest in the Bonds, including such arrangements in which U.S. Bank or any Affiliate of U.S. Bank remains an owner directly or indirectly or (iii) any qualified institutional buyer, as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”), or accredited investor, within the meaning of Rule 501 of Regulation D under the 1933 Act; *provided, however*, that notwithstanding any assignment, pledge, participation or sale of the Bonds or a beneficial interest in the Bonds by the Purchaser, the Borrower shall only be required to deal solely and exclusively with the Bondholder Representative.

(b) The Bondholder Representative shall give written notice to the Borrower and the Registrar identifying any successor Bondholder Representative hereunder; *provided, however*, that there shall not be more than one Bondholder Representative. Any predecessor Bondholder Representative hereunder shall be discharged from its duties and obligations hereunder, provided that the predecessor Bondholder Representative shall continue to be entitled to the benefits of Sections 8.02, 8.03, or 8.12 hereof and of each other provision of this Agreement and the Ordinance granting a right of indemnity or reimbursement in favor of the Bondholder Representative.

(c) The Bondholder Representative may designate any nominee, designee or agent to act for and in the name of the Bondholder Representative by written notice to the Borrower and the Registrar and any such duly designated nominee, designee or agent shall thereupon be empowered to act for and on behalf of the Bondholder Representative and exercise the rights, powers, privileges and responsibilities of the Bondholder Representative in this Agreement and the Ordinance.

Section 8.08. Effectiveness; Term; Amendment. This Agreement shall become effective upon the acceptance hereof by the Borrower and shall be valid and enforceable at the time of such acceptance. This Agreement and the rights of the Purchaser shall terminate upon the later of (i) the calendar day immediately succeeding the last day of the Initial Period and (ii) payment to the Purchaser all sums due under the Bonds and hereunder. This Agreement may be amended (or extended) by an appropriate supplement hereto duly executed by the Bondholder Representative and the Borrower.

Section 8.09. Choice of Law; Waiver of Jury Trial. (a) THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK; PROVIDED, HOWEVER, THAT THE OBLIGATIONS OF THE BORROWER HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF WASHINGTON.

(b) TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE BORROWER AND THE BANK HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE BONDS OR THE ORDINANCE.

Section 8.10. Reserved.

Section 8.11. USA PATRIOT Act Notice. The Purchaser hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "*Patriot Act*"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Borrower to identify the Borrower in accordance with the Patriot Act.

Section 8.12. Standard of Conduct by the Bondholder Representative; Liability of Purchaser. (a) Nothing contained in this Agreement or the Ordinance shall limit the right of the Purchaser or the Bondholder Representative to exercise its and their business judgment or to act, in the context of the granting or withholding of any advance or consent under this Agreement or the Ordinance, in a subjective manner, so long as the Purchaser's or the Bondholder Representative's exercise of its business judgment or action is made or undertaken in good faith. The Borrower and the Purchaser intend by the foregoing to set forth and affirm their entire understanding with respect to the standard pursuant to which the Purchaser's or the Bondholder Representative's duties and obligations are to be judged and the parameters within which the Purchaser's or the Bondholder Representative's discretion may be exercised hereunder and under the Ordinance. As used herein, "good faith" means honesty in fact in the conduct and transaction concerned.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Borrower hereby agrees (to the extent permitted by law) to indemnify and hold harmless the Purchaser and its officers, directors and agents (each, an "*Indemnitee*") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys' fees) which may incur or which may be claimed against an Indemnitee by any Person or entity whatsoever (collectively, the "*Liabilities*") by reason of or in connection with (a) the execution and delivery or transfer of, or payment or failure to pay under, this Agreement, the Bonds or the Ordinance; (b) the remarketing of the Bonds; and (c) the use of the proceeds of the Bonds; *provided* that the Borrower shall not be required to indemnify an Indemnitee for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused the willful misconduct or negligence of such Indemnitee. If any proceeding shall be brought or threatened against an Indemnitee by reason of or in connection with the events described in clause (a), (b) and (c) as a condition of indemnity hereunder each Indemnitee shall promptly notify the Borrower in writing and the Borrower shall assume the defense thereof, including the employment of counsel satisfactory to such Indemnitee and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, each Indemnitee shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnitee unless (i) the employment of such counsel shall have been authorized in writing by the Borrower, or (ii) the Borrower, after

due notice of the action, shall not have employed counsel satisfactory to such Indemnitee to have charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnitee shall be borne by the Borrower. The Borrower shall not be liable for any settlement of any such action effected without its consent. Nothing under this Section 8.12 is intended to limit the Borrower's payment of the Obligations.

Section 8.13. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

Section 8.14. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

Section 8.15. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

Section 8.16. Electronic Signatures. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or "printouts," if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, "electronic signature" means a manually signed original signature that is then transmitted by electronic means; "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a "pdf" (portable document format) or other replicating image attached to an e mail message; and, "electronically signed document" means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

[Remainder of this page intentionally left blank]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to U.S. Bank. This Agreement shall become a binding agreement among you and U.S. Bank when this Agreement shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

U.S. BANK NATIONAL ASSOCIATION

By _____
Name: _____
Title: _____

Date: September __, 2011

ACCEPTANCE

ACCEPTED at 12:00 Noon (Pacific Time) this ____ day of September, 2011

KING COUNTY, WASHINGTON

By _____
Name: _____
Title: _____

ANNEX I

FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished to U.S. Bank National Association (the “Bank”), pursuant to that certain Bondholder’s Agreement dated September __, 2011 (the “Agreement”), between King County, Washington (the “Borrower”) and the Bank. Unless otherwise defined herein, the terms used in this certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly appointed _____ of the Borrower;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower during the accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or an Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;
4. The representations and warranties of the Borrower contained in the Agreement are true, complete and correct as of the date of this certificate, as if made on the date of this certificate; and
5. The Borrower is in compliance with the terms and provisions of the Ordinance.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications and the financial statements delivered with this certificate in support hereof, are made and delivered this _____ day of _____, 20__.

KING COUNTY, WASHINGTON

By _____
Name: _____
Title: _____

The Honorable Larry Gossett
Chair, King County Council
Room 1200
C O U R T H O U S E

September 9, 2011

Dear Councilmember Gossett:

The attached proposed legislation would authorize the issuance and sale of \$100 million of Junior Lien Variable Rate Demand Sewer Revenue Bonds (the Bonds) to provide continuing permanent funding for the capital improvement program (CIP) of the Wastewater Treatment Division (WTD). This proposed ordinance is consistent with the financial stewardship goal in King County's Strategic Plan and will help provide for the long-term sustainability of County services.

Consistent with the County's debt management policy adopted by Motion 12660, WTD's financial plan has long assumed that a portion of its debt will be issued in a variable rate mode. There are two main benefits that result from the issuance of variable rate debt. First, it allows WTD to achieve a borrowing cost that historically has been significantly lower than traditional fixed rate debt. For example, the borrowing cost on WTDs variable rate demand bonds (VRDBs) that were issued in 2001 is currently running at approximately 1.10% as compared to the 4.89% interest rate on the most recent WTD long-term fixed rate debt issue. While this past performance is not a guarantee for the future, it is reasonable to assume the County will realize some level of interest savings through this approach. Second, it provides a natural hedge against changes in the investment income that WTD receives on its reserve holdings in the County's investment pool as interest rates fluctuate. When interest rates are declining, the resulting lower debt service payments provide an offsetting hedge against lower earnings rates. With rising interest rates, there are increased investment earnings to offset the higher debt service payments.

WTD's financial policy limits variable rate debt to 15% of all outstanding fixed rate obligations, and the recently adopted monthly sewer rate of \$36.10 for 2012 assumes that a total of \$200 million of new variable rate debt will be issued through the end of 2012 in order to maintain WTD's exposure at approximately this 15% level. The Bonds will comprise the first of two installments of such borrowing.

Based on the results of a solicitation of banks undertaken this spring, it has been decided that the Bonds should be issued for the initial three years as a direct loan from U.S. Bank, whereby the U.S. Bank will essentially act as the sole investor and take the Bonds into their own portfolio.

There are several significant advantages to this direct loan approach compared to issuing traditional variable rate demand bonds. First, as proposed, the interest rate on the Bonds will be lower than the combination of the interest rate, the cost of liquidity and/or credit support, and the remarketing fees that the County would incur on a new issuance of traditional VRDBs. Second, with traditional VRDBs, the County is exposed to the creditworthiness of the bank that provides the credit or liquidity support for the bonds, a deterioration of which can result in significantly higher interest costs. In the case of this direct loan with U.S. Bank, the interest rate is set at a defined spread to a short-term index and the County is not exposed to such bank credit risk. Third, the initial costs of issuance will be lower since the County will not need to incur underwriting and credit rating fees and other expenses.

We are not recommending that the Bonds be secured with a pledge of the County's full faith and credit in addition to a pledge of WTD's sewer revenues, i.e. double-barreled bonds. In early 2010, it was advantageous for the County to issue double-barreled VRDBs on behalf of WTD when there was a much wider gap between interest rates on stand-alone sewer revenue bonds relative to interest rates on double-barreled bonds. The proposals received from the banks this spring revealed a much narrower pricing differential between the stand-alone and double-barreled credits. Accordingly, it is recommended that the Bonds be issued solely as junior lien sewer revenue bonds, thereby preserving the County's general obligation debt capacity for a future issuance when credit spreads may again be wider.

If you have questions regarding this proposed legislation, please call Ken Guy, Director of the Finance and Business Operations Division, at 206-263-9254, or Nigel Lewis, Senior Debt Analyst in the Treasury Operations Section, at 206-296-1168.

Sincerely,

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
 ATTN: Acting Chief of Staff
 Anne Noris, Clerk of the Council
Carrie Cihak, Director of Policy and Strategic Initiatives, King County Executive Office
Dwight Dively, Director, Office of Performance, Strategy and Budget
Christie True, Director, Department of Natural Resources and Parks, (DNRP)
Pam Elardo, Director, Wastewater Treatment Division, DNRP
Caroline Whalen, County Administrative Officer, Department of Executive Services (DES)
Ken Guy, Director, Finance and Business Operations Division, (FBOD), DES
Nigel Lewis, Senior Debt Analyst, Treasury Operations, FBOD, DES