King County

1200 King County Courthouse
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KING COUNTY

Signature Report

June 4, 2013

Ordinance 17599

Proposed No. 2013-0218.1 **Sponsors** McDermott and Phillips

AN ORDINANCE providing long-term financing for capital needs of the county's sewer system by authorizing the issuance of sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) of the county in an aggregate principal amount not to exceed $300,000,000 to provide funds for acquiring and constructing improvements to the sewer system and an aggregate principal amount not to exceed $950,000,000 for refunding outstanding bonds of the county payable from sewer revenues; providing for the form, terms and covenants of such bonds; providing for the sale of the bonds in one or more series and for a plan of refunding; establishing funds for the receipt and expenditure of bond proceeds and for the payment of the bonds; pledging sewer revenues to pay the principal of and interest on any sewer revenue bonds issued under this ordinance; and pledging the annual levy of taxes and an additional pledge of sewer revenues to pay the principal of and interest on any limited

tax general obligation bonds (payable from sewer revenues) issued under this ordinance.

PREAMBLE:

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

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

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

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

Designation	**Ord**	**Date of Issue**	**Original Principal**	**Outstanding Principal (as of 5/1/2013)**
2004B Bonds	14753	3/18/2004	$ 61,760,000	$ 51,035,000
2006 Bonds	15385	5/16/2006	124,070,000	84,520,000
2006 (2nd) Bonds	15385	11/30/2006	193,435,000	176,185,000
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	248,670,000
2010 Bonds	16868	7/29/2010	334,365,000	330,435,000
2011 Bonds	16868	1/25/2011	175,000,000	175,000,000
2011B Bonds	17111	10/5/2011	494,270,000	463,030,000
2011C Bonds	17111	11/1/2011	32,445,000	32,445,000
2012 Bonds	17111	4/18/2012	104,445,000	104,445,000

2012B Bonds	17111	8/2/2012	64,260,000	64,260,000
2012C Bonds	17111	9/19/2012	65,415,000	65,415,000
2013A Bonds	17111	4/9/2013	122,895,000	122,895,000

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

Designation	**Ord**	**Date of Issue**	**Original Principal**	**Outstanding Principal (as of 5/1/2013)**
Series 2008	15779	2/12/2008	$ 236,950,000	$ 222,360,000
Series 2009	16133	4/8/2009	300,000,000	300,000,000
Series 2012	17111	4/18/2012	68,395,000	67,755,000
Series 2012B	17111	8/2/2012	41,725,000	41,725,000
Series 2012C	17111	9/19/2012	53,405,000	53,405,000

The county may have opportunities to refund all or portions of the currently outstanding Parity Bonds and Parity Lien Obligations (the "Refunding Candidates") and thereby realize savings to the county and ratepayers of the Sewer System. It is deemed necessary and advisable that the county authorize the issuance and sale of not to exceed $950,000,000 principal amount of its bonds payable from sewer revenues (the

"Refunding Bonds") for such refunding opportunities, as provided in this ordinance.

It is deemed necessary and desirable that the county also authorize the issuance and sale of its bonds payable from sewer revenues in the aggregate principal amount of $300,000,000 (the "Project Bonds") to pay costs of capital improvements to the System, in accordance with the comprehensive plan.

Since market conditions can change quickly, it is in the best interest of the county to delegate to the county's Finance Director authority to sell the Refunding Bonds and the Project Bonds in one or more series, as either Parity Bonds or Parity Lien Obligations, or a combination thereof, by competitive bid or negotiated sale, as provided in this ordinance, so long as the aggregate principal amount of Project Bonds does not exceed $300,000,000 and the aggregate principal amount of Refunding Bonds does not exceed $950,000,000. The sale of any Series of the Bonds will be ratified and confirmed by motion of the council, as provided in this ordinance.

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

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. **Definitions; Interpretation.**

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

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

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

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

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

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

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

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

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

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

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

Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien Obligations with respect to which a Payment Agreement is in force shall be calculated by the county to reflect the net economic effect on the county intended to be produced by the terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable Payment Agreement, in accordance with the requirements for Payment Agreements set forth in Section 27 of this ordinance and any other applicable requirements from the ordinances authorizing issuance of such Parity Bonds or Parity Lien Obligations.

From and after the date when no Series 2008 Bonds or Series 2009 Bonds remain outstanding, for purposes of satisfying the rate covenant in Section 18.B and the tests for the issuance of additional Parity Lien Obligations in Section 25, Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt Service Offsets.

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

(1) The interest due for all outstanding Parity Bonds (i) on all interest payment dates (other than January 1) in such calendar year, and (ii) on January 1 of the next succeeding year, and any Payment Agreement Payments due on such dates in

respect of Parity Payment Agreements, minus any Payment Agreement Receipts due in such period in respect of such Parity Payment Agreements.

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

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

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

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

Notwithstanding the foregoing, debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be calculated by the county to reflect the net economic effect of the terms of the Parity Bonds and the applicable Payment Agreement, in accordance with the requirements set forth in Section 27 of this ordinance and any other applicable requirements from the ordinances authorizing issuance of such Parity Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Debt Service Offset" means receipts of the county, including but not limited to federal interest subsidy payments, designated as such by the county that are not included

in Revenue of the System and that are legally available to pay debt service on Parity Bonds, Parity Lien Obligations or other obligations of the county payable from and secured by a pledge of Revenue of the System.

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

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

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

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

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

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

"Junior Lien Obligations" means the county's (i) Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, dated August 15, 2001, authorized by Ordinances 14171 and 14172, (ii) Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2011, dated October 26, 2011, authorized by Ordinance 17202, (iii) Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, dated

December 27, 2012, authorized by Ordinance 17495, and (iv) any other revenue bonds or revenue obligations having a lien on Revenue of the System equal to the lien thereon of such bonds.

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

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

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

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

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

"Parity Bond Fund" means the "Water Quality Revenue Bond Account" designated pursuant to Section 30 of Ordinance No. 12076 of the county and continued pursuant to Section 9 of this ordinance for the purpose of paying and securing the payment of the Parity Bonds.

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

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

"Parity Lien Obligation Bond Fund" means the Water Quality Limited Tax General Obligation Bond Redemption Fund, established pursuant to Section 8 of Ordinance 11241 of the county and continued pursuant to Section 10 of this ordinance, to provide for payment of Parity Lien Obligations.

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

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

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

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

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

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

"Payment Agreement" means, to the extent permitted from time to time by applicable law, a written agreement entered into by the county (i) in connection with or incidental to the issuance, incurring or carrying of bonds or other obligations of the county secured in whole or in part by a lien on Revenue of the System; (ii) for the purpose of managing or reducing the county's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes; (iii) with a Qualified Counterparty; and (iv) which

provides, on either a current or forward basis, for an exchange of payments determined in accordance with a formula specified therein.

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

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

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

"Project Bonds" means the $300,000,000 aggregate principal amount of bonds of the county authorized to be issued under this ordinance to pay costs of acquiring and constructing improvements to the System. The Project Bonds may be issued in one or more series of Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

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

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

"Qualified Insurance" means (i) so long as any 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or service corporation is rated in one of the two highest rating categories by Moody's, S&P, and any other rating agency then maintaining a rating on the Parity Bonds, provided, that, as of the time of issuance of such policy or surety bond, such insurance company or companies maintain a policy owner's surplus in excess of $500,000,000; and (ii) from and after such time as no 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which

insurance company or service corporation, as of the time of issuance of such policy or surety bond, is then rated in one of the two highest rating categories by Moody's, S&P, and any other rating agency then maintaining a rating on the Parity Bonds and maintains a policy owner's surplus in excess of $500,000,000.

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

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

"RCW" means the Revised Code of Washington.

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

"Refunded Bonds" means for each series of Refunding Bonds those Refunding Candidates that will be refunded from proceeds of that series of Refunding Bonds, as determined by the Finance Manager pursuant to sections 16 and 28 of this ordinance and set forth in a Sale Motion in accordance with sections 16 and 28 of this ordinance.

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

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

"Refunding Bonds" means not to exceed $950,000,000 principal amount of bonds authorized to be issued in one or more series by this ordinance to refund the Refunded Bonds. The Refunding Bonds may be issued in one or more series of Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

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

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

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

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

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

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

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

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

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

"State" means the State of Washington.

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

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

"Tax Certificate" means the Federal Tax Certificate regarding certain federal tax matters executed on behalf of the county upon the issuance of each series of the Bonds.

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

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

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

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

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

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

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

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

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

(i) The terms "hereby," "hereof," "hereto," "herein, "hereunder" and any similar terms refer to this ordinance as a whole and not to any particular section, subdivision or clause of this ordinance.

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

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

(iv) All references in this ordinance to "sections," "subsections," and other subdivisions, paragraphs or clauses are to the corresponding sections, subsections, subdivisions, paragraphs or clauses of this ordinance as originally passed.

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

SECTION 3. **Authorization of Bonds.** To provide funds necessary to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the System as set forth in the Comprehensive Plan, the county will issue the Project Bonds in the aggregate principal amount of $300,000,000.

To provide funds to refund the Refunded Bonds, the county will issue one or more series of Refunding Bonds in principal amounts to be established as provided in Sections 16 and 28 hereof and in any event not to exceed an aggregate principal amount of $950,000,000.

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

Each series of the Bonds will bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent interest payment date for which interest has been paid or duly provided for, whichever is later, payable on interest payment dates and at the rate or rates established as provided in Section 28 hereof and ratified and confirmed by a Sale Motion. The Accreted Values of any Bonds that are Capital Appreciation Bonds will be set forth in a Sale Motion.

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

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

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

B. Registered Ownership. The county and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes, and neither the county nor the Bond Registrar will be affected by any notice to the contrary. Payment of any Bond will be made only as described in Section 4.G hereof, but registration of any Bond may be transferred as herein provided. All payments made as described in Section 4.G will be valid and will satisfy

and discharge the liability of the county upon such Bond to the extent of the amount or amounts so paid. The county and the Bond Registrar are entitled to treat the person in whose name any Bond is registered as the absolute owner thereof for all purposes of this ordinance and any applicable laws, notwithstanding any notice to the contrary received by the Bond Registrar or the county.

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

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

D. Use of Depository.

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

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

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

(4) If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be

obtained, or (ii) the county determines that it is in the best interest of the beneficial owners of any of the Bonds that they be able to obtain such Bonds in the form of bond certificates, the ownership of Bonds may then be transferred to any person or entity as herein provided, and the Bonds will no longer be held in fully immobilized form. The county will deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt of all then outstanding Bonds by the Bond Registrar together with a written request on behalf of the county to the Bond Registrar, new Bonds will be issued in such denominations and registered in the names of such persons as are requested in the written request.

E. Transfer or Exchange of Registered Ownership; Change in Denominations. The registered ownership of any Bond may be transferred or exchanged, but no transfer of any Bond will be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on the Bond duly executed by the Registered Owner or the Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon that surrender, the Bond Registrar will cancel the surrendered Bond and will authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same series, date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of

Bonds of the same series, date, maturity and interest rate, in any authorized denomination. The Bond Registrar is not obligated to transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on that interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of redemption for such Bonds.

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

G. Place and Medium of Payment. Both principal of and interest on the Bonds are payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal thereof and interest thereon will be made in accordance with the operational arrangements of DTC referred to in the Letter of Representations. If the Bonds are no longer held in fully immobilized form, interest on the Bonds will be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least $1,000,000 principal amount of a series of Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located within the United States. Principal of the Bonds is payable upon presentation and surrender of the Bonds by the Registered Owners at the principal office of the Bond Registrar.

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

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

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

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

The county reserves the right to purchase any or all of the Bonds at any time at any price.

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

A. Notice of Redemption. Written notice of any redemption of Bonds will be given by the Bond Registrar on behalf of the county by first class mail, postage

prepaid, not less than 20 days nor more than 60 days before the redemption date to the Registered Owners of Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the Bonds are in book-entry form, notice of redemption will be given as provided in the Letter of Representations. The Bond Registrar will provide additional notice of redemption to the MSRB in accordance with the applicable Undertaking.

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

Each notice of redemption will contain the following information: (1) the redemption date, (2) the redemption price, (3) any condition to the redemption (including, but not limited, to the receipt of proceeds of refunding bonds), (4) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (5) that on the redemption date, upon the satisfaction of any conditions, the redemption price will become due and payable upon each Bond or portion called for redemption, and that interest will cease to accrue from the redemption date, (6) that the Bonds are to be surrendered for payment at the principal office of the Bond Registrar, (7) the CUSIP numbers of all Bonds being redeemed, (8) the dated date of the Bonds, (9) the rate of interest for each Bond being redeemed, (10) the date of the notice, (11) information regarding the county's right to rescind an optional redemption prior to the designated redemption date by giving notice of such rescission, and (12) any other information relating to the redemption or identifying the Bonds being redeemed.

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

B. Conditional Redemption; Rescission of Redemption. Any redemption of Bonds may be subject to such conditions, including but not limited to the receipt of proceeds of refunding bonds, as the county may specify in the notice of redemption. The county may also rescind any notice of an optional redemption of Bonds by giving written notice of such rescission no later than the business day before the designated redemption date to all parties who were given notice of redemption in the in the same manner as such notice was given.

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

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

SECTION 7. **Form of Bonds; Execution of Bonds.** Bonds issued as Parity Bonds will be in substantially the form set forth in Attachment A to this ordinance. Bonds issued as Parity Lien Obligations will be in substantially the form set forth in Attachment B this ordinance. The Bonds will be executed on behalf of the county with the manual or facsimile signature of the county executive, attested by the manual or facsimile signature of the clerk of the county council, and will have the seal of the county impressed or imprinted thereon.

If any officer who has signed or attested any of the Bonds ceases to be an officer of the county authorized to sign bonds before the Bonds bearing his or her signature are authenticated or delivered by the Bond Registrar or issued by the county, those Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the county as though that person had continued to be an officer of the county authorized to sign bonds. Any Bond also may be signed on behalf of the county by any person who, on the actual date of signing of the Bond, is an officer of the county authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

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

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

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

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

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

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

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

B. Term Bond Provisions. If any Bonds issued as Parity Bonds are designated as Term Bonds pursuant to Section 28 hereof, the Sale Motion for that series of Bonds will set forth a mandatory redemption schedule to amortize the principal of

those Parity Term Bonds. Payments of principal of Parity Term Bonds under any such mandatory redemption schedule will be made from the Debt Service Account, as provided in Section 9.A above; provided, however, that if more than the required principal amount of the Parity Term Bonds of a series is retired by purchase or optional redemption in any given year, the county may credit those excess purchase amounts or excess optional redemption amounts to the mandatory redemption schedule for that series in any manner that the county determines.

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

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

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

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

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

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

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

For each series of the Bonds issued as Parity Lien Obligations, there is hereby authorized to be created a special subaccount in the Debt Service Account. All money required by this section 10.A, of this ordinance to be deposited into the Debt Service Account for the payment of principal of and interest on that series of the Bonds will be deposited into the subaccount created for the series. Money in that subaccount will be

treated in all respects as all other money in the Debt Service Account, but will be accounted for separately for the purpose of calculating any Rebate Amount payable with respect to that series of the Bonds.

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

B. Term Bond Provisions. If any Bonds issued as Parity Lien Obligations are designated as Term Bonds pursuant to section 28 of this ordinance, the Sale Motion for that series of Bonds will set forth a mandatory redemption schedule to amortize the principal of those Parity Lien Obligation Term Bonds. Payments of principal of Parity Lien Obligation Term Bonds under any such mandatory redemption schedule will be made from the Debt Service Account, as provided in Section 10.A above; provided, however, that if more than the required principal amount of the Parity Lien Obligation Term Bonds of a series is retired by purchase or optional redemption in any given year, the county may credit those excess purchase amounts or excess optional redemption amounts to the mandatory redemption schedule for that series in any manner that the county determines.

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

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

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

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

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

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

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

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

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

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

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

B. Rate Stabilization Fund. In anticipation of increases in revenue requirements of the System, a special fund of the county designated as the "Sewer Rate Stabilization Fund" (the "Rate Stabilization Fund") has heretofore been established and is hereby continued. The county may from time to time appropriate or budget amounts in the Revenue Fund for deposit in the Rate Stabilization Fund, as provided in Section 14 of this ordinance and may from time to time withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate sewer rate increases or for other lawful purposes of the county related to the System including but not limited to calculations of "Net Revenue" and "Revenue of the System" for the purposes of satisfying requirements of sections 18, 24 and 25 of this ordinance.

For any fiscal year, (i) amounts withdrawn from the Revenue Fund and deposited into the Rate Stabilization Fund for that fiscal year must be subtracted from Net Revenue for that fiscal year, and (ii) amounts withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund for that fiscal year may be added to Revenue of the System for that fiscal year.

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

First, to pay all Operating and Maintenance Expenses;

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

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

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

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

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

Seventh, to make all required payments of principal of and interest on the Multi-Modal LTGO/Sewer Revenue Lien Obligations as the same become due and payable, to

make all Payment Agreement Payments for any Payment Agreements entered into with respect to Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments required to be made to providers of credit enhancements or liquidity facilities for any Multi-Modal LTGO/Sewer Revenue Bonds;

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

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

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

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

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

A. Construction Account. There has heretofore been created a special fund of the county known as the "Second Water Quality Construction Account" (the "Construction Account"). For purposes of separately accounting for investment earnings on the proceeds of the Project Bonds to facilitate compliance with the requirements of

Section 21 of this ordinance, there is hereby established for each series of Project Bonds issued hereunder a special subaccount within the Construction Account to be designated as the "Series [applicable year designation] Construction Subaccount" (each a "Construction Subaccount").

Money in each Construction Subaccount will be held and applied to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the System as set forth in the Comprehensive Plan and all costs incidental thereto, including but not limited to engineering, architectural, planning, financial, legal, urban design or any other incidental costs, and to repay any advances heretofore or hereafter made on account of such costs, provided that if deficiencies exist in the Parity Bond Fund or Parity Lien Obligation Bond Fund, money in any Construction Subaccount may be transferred to such Fund in any amounts necessary to pay principal of and interest on Parity Bonds or Parity Lien Obligations, as applicable. Pursuant to a Sale Motion, proceeds of a series of Project Bonds may be designated to pay capitalized interest on those Project Bonds and may be held in the applicable Construction Subaccount or in a trust account to be established with an escrow agent appointed by the Finance Director, as provided in the Sale Motion.

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

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

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

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

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

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

A. Refunding Account; Guidelines for Refunding. There is hereby authorized to be established one or more special accounts of the county to be maintained with the Escrow Agent (as hereinafter defined) each to be known as a "King County [appropriate year and series designation] Sewer Revenue Bonds Refunding Account" (each a "Refunding Account"). Each Refunding Account will be drawn upon for the sole purpose of paying the principal of and interest and redemption premium, if any, on the applicable Refunded Bonds and of paying costs related to the issuance of that series of Refunding Bonds and to refunding the applicable Refunded Bonds. Proceeds of the sale of any Refunding Bonds, together with other county funds that may be designated for that purpose, will be deposited into each Refunding Account to provide for refunding the applicable Refunded Bonds in accordance with the ordinances authorizing the Refunded Bonds and to pay the costs of issuance of the Refunding Bonds.

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

B. Plan of Refunding. Each plan of refunding and call for redemption of Refunded Bonds will be set forth in and ratified and confirmed by a Sale Motion. Money in each Refunding Account will be used immediately upon receipt thereof to defease the applicable Refunded Bonds and discharge the other obligations of the county relating thereto under the ordinances that authorized the Refunded Bonds, by providing for the payment of the principal of and interest and redemption premium, if any, on the Refunded Bonds as set forth in a Sale Motion. The county will defease such bonds and discharge such obligations by the use of the money in each Refunding Account to purchase Government Obligations (which obligations so purchased are herein called "Escrow Securities") bearing such interest and maturing as to principal and interest in such amounts and at such times that, together with any necessary beginning cash balance, will provide for the payment of such Refunded Bonds, as set forth in the Sale Motion. Such Escrow Securities will be purchased at a yield not greater than the yield permitted

by the Code and regulations relating to obligations acquired in connection with refunding bond issues.

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

The county will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent are paid when due. The proper officers and agents of the county are directed to obtain from each Escrow Agent an agreement setting forth the duties, obligations and responsibilities of the Escrow Agent in connection with the redemption and retirement of the Refunded Bonds as provided herein and setting forth provisions for the payment of the fees, compensation and expenses of the Escrow Agent as are satisfactory to it. To carry out the purposes of this section, the Finance Director is authorized and directed to execute and deliver to each Escrow Agent an escrow agreement and, if requested, a costs of issuance agreement, in forms approved by the county's bond counsel.

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

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

SECTION 18. **Rate Covenants.**

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

At all times and in any event, rates and charges for sewage disposal service will be sufficient to provide funds adequate to operate and maintain the System, to make all payments and to establish and maintain all reserves required by this or any other ordinance authorizing obligations of the county payable from Revenue of the System, to make up any deficit in such payments remaining from prior years and to pay all costs incurred in the construction or acquisition of any portion of the Comprehensive Plan that

may be ordered by the county and for the payment of which sewer revenue bonds (or other obligations payable from Revenue of the System) are not issued.

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

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

C. Rate Stabilization Fund. In determining compliance with the requirements of this Section 18, Revenue of the System and Net Revenue shall be calculated by taking into account deposits and withdrawals from the Rate Stabilization Fund as provided in Section 13.B of this ordinance.

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

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

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

C. Annual Audit. The county will cause its books of accounts, including its annual financial report, to be audited annually by the State auditor's office or other State department or agency as may be authorized and directed by law to make such audits, or if such an audit is not made for twelve months after the close of any fiscal year

of the county, by a Certified Public Accountant. The county will furnish the audit to the owner or holder of any Bond upon written request therefor.

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

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

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

privileges of the county and of the holders of the Parity Bonds and Parity Lien Obligations under or with respect thereto.

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

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

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

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

J. No Conflict. The county's adoption of this ordinance and its compliance with the provisions contained herein will not conflict with or constitute a breach of or default under any constitutional provisions, law, administrative regulation,

judgment, decree, loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement or other instrument to which the county is a party or to which the county or any of its property or assets are otherwise subject, nor will the county's adoption of or compliance with this ordinance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the county or under the terms of any such law, regulation or instrument, except as permitted by this ordinance and the ordinances authorizing the issuance of other Parity Bonds and Parity Lien Obligations.

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

L. Sale or Disposition. The county will not sell or voluntarily dispose of all of the operating properties of the System unless provision is made for payment into the Parity Bond Fund and the Parity Lien Obligation Bond Fund of a sum sufficient to pay the principal of and interest on all outstanding Parity Bonds and Parity Lien Obligations in accordance with the terms thereof, nor will the county sell or voluntarily dispose of any part of the operating properties of the System unless provision is made (i) for payment into the Parity Bond Fund of an amount that will bear at least the same proportion to the amount of the outstanding Parity Bonds that the estimated amount of any resulting reduction in Revenue of the System for the twelve months following such sale or disposition bears to the Revenue of the System that would have been realized if

such sale or disposition had not been made and (ii) for payment into the Parity Lien Obligation Bond Fund of an amount that will bear at least the same proportion to the amount of the outstanding Parity Lien Obligations that the estimated amount of any resulting reduction in Revenue of the System for the twelve months following such sale or disposition bears to the Revenue of the System that would have been realized if such sale or disposition had not been made. Those estimates must be made by a Professional Utility Consultant. Any money so paid into the Parity Bond Fund and the Parity Lien Obligation Bond Fund must be used to retire outstanding Parity Bonds and Parity Lien Obligations as provided herein at the earliest possible date; provided, however, that the county may sell or otherwise dispose of any of the works, plant, properties and facilities of the System or any real or personal property comprising a part of the System with a value of less than 5% of the net utility plant of the System or that have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful in such operation, without making any deposit into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

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

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

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

SECTION 21. **Tax Covenants.**

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

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

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

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

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

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

signed and acknowledged by such Parity Bondowners or by their attorneys-in-fact duly authorized.

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

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

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

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

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

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

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

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

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

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

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

B. Powers of Trustee. The Trustee in its own name and on behalf of and for the benefit and protection of the holders and owners of all Parity Bonds may proceed, and upon the written request of the holders and owners of not less than 25% in principal amount of the Parity Bonds then outstanding must proceed, to protect and enforce any rights of the Trustee and, to the full extent that owners or holders of Parity Bonds themselves might do, the rights of such owners and holders of Parity Bonds under the laws of the State of Washington or under the ordinances providing for the issuance of such bonds, by such suits, actions or proceedings in equity or at law, either for the specific performance of any covenant contained herein or in aid or execution of any

power herein granted or for any proper legal or equitable remedy as the Trustee may deem most effectual to protect and enforce the rights of the Trustee and the holders and owners of Parity Bonds. In the enforcement of any such rights under this or any other ordinance of the county, the Trustee is entitled to sue for, to enforce payment of and to receive any and all amounts due from the county for principal, interest or otherwise under any of the provisions of such ordinance, with interest on overdue payments at the rate or rates set forth in such bond or bonds, together with any and all costs and expenses of collection and of all proceedings taken by the Trustee without prejudice to any other right or remedy of the Trustee or of the bondholders.

If default is made in the payment of principal of any Parity Bond and the default continues for a period of 30 days, (i) so long as any of the 2004B Bonds remain outstanding, the Trustee shall be entitled to declare all outstanding Parity Bonds immediately due and payable and may proceed to enforce payment thereof as hereinabove provided, and (ii) after such time as no 2004B Bonds remain outstanding, the Trustee may not accelerate payment of any Parity Bonds but may proceed to enforce payment thereof as hereinabove provided. If, in the sole judgment of the Trustee, any default is cured and the Trustee furnishes the county a certificate so stating, that default is conclusively deemed to be cured, and the county, Trustee and owners and holders of Parity Bonds will be restored to the same rights and position they would have held if no event of default had occurred.

C. Actions in Name of Trustee. All rights of action under this ordinance or upon any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee without the possession of any of such bonds or the production thereof on

the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in its name for the ratable benefit of the holders of all Parity Bonds, subject to the provisions of this ordinance.

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

E. Application of Money Collected by Trustee. Any money collected by the Trustee at any time pursuant to this section will be applied, first, to the payment of its charges, expenses, advances and compensation and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amount then due and unpaid upon the Parity Bonds, ratably and without preference or priority of any kind not expressly provided in this ordinance, according to the amounts due and payable upon such bonds at the date fixed by the Trustee for the distribution of such money, upon presentation of the several bonds and upon causing such payment to be stamped thereon, if partly paid, and upon surrender thereof, if fully paid.

SECTION 24. **Future Parity Bonds**. The county further covenants and agrees with the owners and holders of the Parity Bonds for as long as the same are outstanding that it will not create any special fund for the payment of the principal of and interest on any revenue bonds that will rank on a parity with or have any priority over the payments

out of Revenue of the System required to be made into the Parity Bond Fund and the accounts therein to pay or secure the payment of the outstanding Parity Bonds.

The county reserves the right for:

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

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

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

to issue additional or refunding bonds and to make payments into the Parity Bond Fund out of the Revenue Fund that will be sufficient to pay the principal of and interest on those additional or refunding bonds and to maintain required reserves, such payments out of the Revenue Fund will rank equally with the payments out of the Revenue Fund required to be made into the Parity Bond Fund and the accounts therein for the payment of the principal of and interest on outstanding Parity Bonds, but only upon compliance with the following conditions:

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

B. Each ordinance providing for the issuance of any Future Parity Bonds that are refunding bonds must require that all money held in any fund or account of the county created for the purpose of paying the principal of and interest on the bonds

being refunded either be used to pay the principal of and interest on such bonds or be transferred or paid into the Parity Bond Fund.

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

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

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

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

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

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

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

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

(vi) Beginning with the second year following the proposed date of issue of such Future Parity Bonds and for each year thereafter, the Professional Utility Consultant may add to the annual revenue determined in the preceding five paragraphs his or her estimate of any additional annual revenue to be received from anticipated growth in the number of Customers within the area served by

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

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

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

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

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

Parity Bonds or other obligations to be refunded thereby will be deemed no longer outstanding in accordance with the ordinance authorizing their issuance.

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

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

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

A. Parity Lien Obligations Other Than Refunding Bonds. The county expressly reserves the right to issue or enter into additional Parity Lien Obligations

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

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

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

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

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

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

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

Consultant's certificate, such revenue may be further adjusted on the basis that added Customers were Customers of the System during the entire 12-month period.

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

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

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

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

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

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

B. Parity Lien Obligations That Are Refunding Bonds.

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

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

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

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

(iv) Nothing contained in this ordinance prohibits or prevents, or will be deemed or construed to prohibit or prevent, the county from issuing Parity Lien

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

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

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

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

SECTION 27. **Payment Agreements.**

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

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

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

D. Calculation of Payment Agreement Payments and Debt Service on Bonds with Respect to which a Payment Agreement is in Force. It is the intent of the county, for purposes of section 18, 24 or25 of this ordinance, that debt service on Parity Bonds with respect to which a Parity Payment Agreement is in force will be calculated to reflect the net economic effect on the county intended to be produced by the terms of such Parity Bonds and Parity Payment Agreement and that debt service on Parity Lien Obligation Bonds with respect to which a Parity Lien Obligation Payment Agreement is in force will be calculated to reflect the net economic effect on the county intended to be produced by the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation Payment Agreement. In calculating such amounts, the county will be guided by the following requirements.

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

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

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

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

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

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

SECTION 28. **Sale of Bonds.**

A. Determination by Finance Director. The Finance Director will determine, in consultation with the county's financial advisors, the principal amount of each series of the Project Bonds, which of the Refunding Candidates will be refunded, whether Project Bonds and Refunding Bonds will be sold separately or in one or more combined series, whether each series of Bonds will be structured as Tax-Exempt Bonds, Tax-Benefited Bonds or otherwise, and whether each series of Bonds will be sold by negotiated sale or competitive bid and by current or future delivery. The authority to sell any of the Bonds authorized hereunder will terminate two years from the effective date of this ordinance. The authority to sell any bonds pursuant to Ordinance 17111 of the county will terminate on the effective date of this ordinance.

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

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

certificate as required by Section 5.4(a) of Ordinance 17495 authorizing the issuance of that bond.

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

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

Upon the date and time established for the receipt of bids for any series of the Bonds, the Finance Director or his designee will review the bids, cause the bids to be mathematically verified and report to the county council regarding the bids received. Such bids will then be considered and acted upon by the county council in an open public

meeting. The county council reserves the right to reject any and all bids for such Bonds. The county council by a Sale Motion will approve the sale of such Bonds and ratify and confirm the date, interest rates, maturity schedule, redemption and bond insurance provisions, plan of refunding (if any), and any other terms of such Bonds.

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

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

SECTION 30. **Preliminary Official Statement; Official Statement.** The county hereby authorizes and directs the Finance Director: (i) to review and approve the information contained in the preliminary official statement (the "Preliminary Official Statement") prepared in connection with the sale of any series of the Bonds; and (ii) for the sole purpose of the Bond purchasers' compliance with Section (b)(1) of the Rule, to "deem final" that Preliminary Official Statement as of its date, except for the omission of

information on offering prices, interest rates, selling compensation, delivery dates, bond insurance, any other terms or provisions required by the county to be specified in a competitive bid or bond purchase contract, ratings, the identity of the Bond purchasers, and other terms of that series of Bonds dependent on such matters. After a Preliminary Official Statement has been reviewed and approved in accordance with the provisions of this section, the county hereby authorizes distribution of the Preliminary Official Statement to prospective purchasers of that series of Bonds.

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

SECTION 31. **Undertaking to Provide Ongoing Disclosure.** If and to the extent required by Section (b)(5) of the Rule, each Sale Motion will authorize an Undertaking for each series of the Bonds.

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

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

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

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

Upon the defeasance of any of the Bonds, the Bond Registrar will provide notice of the defeasance to the Registered Owners of the Bonds and to the MSRB in accordance with the ongoing disclosure provisions to be adopted by the Sale Motion.

SECTION 35. **Supplemental Ordinances.**

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

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

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

B. With Bondowner Consent.

(1) From and after such time as no 2004B Bonds, 2006 Bonds, 2006 (2nd) Bonds, 2007 Bonds, 2008 Bonds, or 2009 Bonds remain outstanding, with the consent of the owners of not less than 51% in aggregate principal amount of all Parity Bonds at the time outstanding, the Council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance applicable to Parity Bonds, except as described in subsection (3) below.

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

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

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

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

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

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

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

Ordinance 17599 was introduced on 5/6/2013 and passed by the Metropolitan King County Council on 6/3/2013, by the following vote:

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

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Gossett, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this 7 day of June, 2013.

Dow Constantine, County Executive

RECEIVED
2013 JUN -7 PM 3:59
KING COUNTY COUNCIL
CLERK

Attachments: A. Form of Parity Bond, B. Form of Parity Lien Obligation

Attachment A

FORM OF PARITY BOND

NO. _____ $_____

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

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

INTEREST RATE: MATURITY DATE: CUSIP NO.:

Registered Owner:

Principal Amount:

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

Both principal of and interest on this bond are payable in lawful money of the United States of America. While the Bonds are held in an immobilized "book entry" system of registration, payments of principal thereof and interest thereon will be made in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations from the County to DTC. When the Bonds are no longer held in an immobilized "book entry" registration system, principal will be paid to the Registered Owner or nominee of such owner upon presentation and surrender of this bond at either of the principal offices of the fiscal agency of the State of Washington in Seattle, Washington or New York, New York (collectively the "Bond Registrar"), and interest will be paid by mailing a check or draft (on the date such interest is due) to the Registered Owner or nominee of such owner at the address shown on the Bond Register as of the 15th day of the month prior to the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least $1,000,000 par value of the Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located in the United States.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of $_____ (the "Bonds"), and is issued to [refund certain obligations of] [provide funds for capital improvements to] the County's sewer system (the "System").

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as _____, 20___.

KING COUNTY, WASHINGTON

By _____/s/_____
King County Executive

ATTEST:

_____/s/_____
Clerk of the County Council

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

CERTIFICATE OF AUTHENTICATION

This is one of the Sewer Revenue [and Refunding] Bonds, _____, of King County, Washington, dated _____ __, 20__, described in the within mentioned Bond Legislation.

WASHINGTON STATE FISCAL AGENCY, as Bond Registrar

By _____
Authorized Signatory

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

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT (TRANSFERS) MIN ACT - _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts (Transfers) to Minors Act

_____
(State)

Additional abbreviations may also be used though not listed above.

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

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

_____

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

DATED: _____, 20___.

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

17599

SIGNATURE GUARANTEED:

_____

NOTICE: Signatures must be guaranteed pursuant to law.

Attachment B - 17599

FORM OF PARITY LIEN OBLIGATION

NO. _____ $_____

UNITED STATES OF AMERICA

STATE OF WASHINGTON

KING COUNTY

LIMITED TAX GENERAL OBLIGATION [AND] [REFUNDING] BOND

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

INTEREST RATE: MATURITY DATE: CUSIP NO.:

Registered Owner:

Principal Amount:

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

Both principal of and interest on this bond are payable in lawful money of the United States of America. While the Bonds are held in an immobilized "book entry" system of registration, payments of principal thereof and interest thereon will be made in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations from the County to DTC. When the Bonds are no longer held in an immobilized "book entry" registration system, principal will be paid to the Registered Owner or nominee of such owner upon presentation and surrender of this bond at either of the principal offices of the fiscal agency of the State of Washington in Seattle, Washington or New York, New York (collectively the "Bond Registrar"), and interest will be paid by mailing a check or draft (on the date such interest is due) to the Registered Owner or nominee of such owner at the address shown on the Bond Register as of the 15th day of the month prior to the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least $1,000,000 par value of the Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located in the United States.

This bond is one of an authorized issue of bonds of like series, date and tenor, except as to number, amount, rate of interest and date of maturity, in the aggregate principal amount of $_____ (the "Bonds"), and is issued [to refund certain obligations of] [provide funds for capital improvements to] the County's sewer system (the "System").

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

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

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

The County has further obligated and bound itself to set aside and pay into the Parity Lien Obligation Bond Fund out of Revenue of the System amounts sufficient to pay when due the principal of and interest on the Bonds. The pledge of Revenue of the System constitutes a lien and charge on that revenue subject to Operating and Maintenance Expenses and junior, subordinate and inferior to the lien and charge on that revenue securing the Parity Bonds, equal to the lien and charge securing the outstanding Parity Lien Obligations and any additional Parity Lien Obligations hereafter issued, and superior to any other charges whatsoever. The County has reserved the right to issue additional Parity Lien Obligations on the terms and conditions set forth in the Bond Legislation.

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

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

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

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

IN WITNESS WHEREOF, the County has caused this bond to be executed by the manual or facsimile signature of the County Executive, to be attested by the manual or facsimile signature of the Clerk of the County Council, and has caused the seal of the County to be impressed or imprinted hereon, as of _____, 20__.

KING COUNTY, WASHINGTON

By _____/s/_____
King County Executive

ATTEST:

_____/s/_____
Clerk of the County Council

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

CERTIFICATE OF AUTHENTICATION

This is one of the Limited Tax General Obligation [and Refunding] Bonds (Payable from Sewer Revenues), [applicable year] Series ____, of King County, Washington, dated _____, 20__.

WASHINGTON STATE FISCAL AGENCY, as Bond Registrar

By _____
Authorized Signatory

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

TEN COM	-	as tenants in common
TEN ENT	-	as tenants by the entireties
JT TEN	-	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT (TRANSFERS) MIN ACT - _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts (Transfers) to Minors Act

_____
(State)

Additional abbreviations may also be used though not listed above.

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR
TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

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

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

DATED: _____, 20__.

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

SIGNATURE GUARANTEED:

_____

NOTICE: Signatures must be guaranteed pursuant to law.