

CITY OF SEATTLE
ORDINANCE _____

COUNCIL BILL 117941

AN ORDINANCE relating to the water system of The City of Seattle; amending Ordinance 121939 to conform Ordinance 121939 to reflect changes recently made by the City to update its standard form of bond ordinance; and ratifying and confirming certain prior acts.

WHEREAS, by Ordinance 121939 the City provided for the issuance and sale of water system bonds, in one or more series, for the purpose of paying all or part of the cost of refunding certain of the City's outstanding water bonds, and the costs of issuance of those bonds; and

WHEREAS, the City has recently updated the standard form of its bond ordinances and desires to conform Ordinance 121939 to reflect those changes; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Amendment to Ordinance 121939. Each section of Ordinance 121939, as amended by Ordinance 122837 (the "Ordinance"), is amended and restated as set forth in Sections 2 through 39 of this amendatory ordinance. Additions are double underlined and deletions are enclosed in double parentheses and struck through. Section references in the amended text are made with reference to the Ordinance as amended and restated by this ordinance. With respect to any Bonds authorized by the Ordinance, which are outstanding as of the effective date of this amendatory ordinance, the amendments contained herein shall be of no force or effect and the provisions of the Ordinance prior to the effective date of this amendatory ordinance shall continue in effect with respect to those outstanding Bonds.

Section 2. Amendment to Section 1 of the Ordinance. Section 1 of Ordinance 121939, as amended by Ordinance 122837, is amended and restated as follows:

1 **Section 1. Definitions.** As used in this ordinance ~~((and for the~~
2 ~~purposes of this ordinance))~~the following ~~((words))~~capitalized terms shall have
3 the following meanings:

4 **“Accreted Value”** means~~((:(1)——))~~ with respect to any Capital
5 Appreciation Bond~~((s;))~~ (a) as of~~((the time of calculation,))~~ any Valuation Date,
6 ~~the~~~~((the sum of the))~~ amount~~((representing the initial principal amount of))~~ set
7 forth for such date in any Parity Bond Legislation authorizing such Capital
8 Appreciation Bond~~((s as set forth in the applicable Parity Bond Authorizing~~
9 Ordinance plus the interest accumulated, compounded and unpaid thereon as of
10 ~~the most recent compounding date, or))~~, and (b) as of any date other than a
11 Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation
12 Date and (ii) the product of (A) a fraction, the numerator of which is the number
13 of days having elapsed from the preceding Valuation Date and the denominator
14 of which is the number of days from such preceding Valuation Date to the next
15 succeeding Valuation Date, calculated based on the assumption that Accreted
16 Value accrues during any semiannual period in equal daily amounts on the basis
17 of a year of twelve 30-day months, multiplied by (B) the difference between the
18 Accreted Values for such Valuation Dates.

19 ~~((2)—— with respect to original issue discount bonds under the Code, as~~
20 ~~of the time of calculation, the amount representing the initial public offering~~
21 ~~price of such original issue discount bonds plus the amount of the discounted~~
22 ~~principal which has accreted since the date of issue, determined in accordance~~
23 ~~with the provisions of the applicable Parity Bond Authorizing Ordinance.))~~

1 **“Acquired Obligations”** means those Government Obligations
2 purchased to accomplish the ~~((refunding of the Refunded Bonds))~~Refunding
3 Plan, consistent with the Refunded Bond Legislation and any applicable
4 agreements with ~~((Bond Insurers))~~a provider of Bond Insurance or a Reserve
5 Security.

6 **“Adjusted Annual Debt Service”** for any fiscal year means Annual
7 Debt Service minus ~~((1))~~a an amount equal to ULID Assessments due in that
8 year and not delinquent, ~~((2))~~b an amount equal to earnings from investments
9 in the Reserve Subaccount, and ~~((3))~~c Annual Debt Service provided for by
10 Parity Bond proceeds.

11 ~~((“Adjusted Gross Revenue of the Municipal Water System”~~
12 ~~or))~~**“Adjusted Gross Revenue”** means, for any period, Gross Revenue ~~((of the~~
13 ~~Municipal Water System--))~~plus withdrawals from the Rate Stabilization
14 Account made during that period, and minus ~~((1))~~a ULID Assessments,
15 ~~((2))~~b earnings from investments in the Reserve Subaccount and ~~((3))~~c
16 deposits into the Rate Stabilization Account made during that period.

17 ~~((“Adjusted Net Revenue of the Municipal Water System”~~
18 ~~or))~~**“Adjusted Net Revenue”** means Adjusted Gross Revenue less
19 ~~((Operation))~~Operating and Maintenance Expense~~((s))~~.

20 **“Annual Debt Service”**~~((means,))~~ for any ~~((fiscal))~~calendar year means
21 the sum of the~~((City, all))~~ amounts required ~~((to be paid in respect of interest on~~
22 ~~and principal of Parity Bonds and Payment Agreement Payments in respect of~~
23 ~~Parity Payment Agreements, subject to the following:))~~in such calendar year to
24 pay the interest due in such calendar year on all Parity Bonds outstanding.

1 excluding interest to be paid from the proceeds of the sale of Parity Bonds or
2 other bonds; the principal of all outstanding Serial Bonds due in such calendar
3 year; and the Sinking Fund Requirement, if any, for such calendar year.

4 ~~((i))~~(a) ~~((Debt Service on Term Bonds.))~~For purposes
5 of~~((calculating debt service on Term Bonds, only the scheduled mandatory~~
6 ~~redemption amounts payable in respect of principal of Term Bonds shall be~~
7 ~~taken into account in any fiscal year prior to the Term Bond Maturity Year, and~~
8 ~~only the principal amount scheduled to remain outstanding after payment of all~~
9 ~~prior mandatory redemption amounts shall be taken into account in the Term~~
10 ~~Bond Maturity Year;))~~ this definition, the principal and interest portions of the
11 Accreted Value of Capital Appreciation Bonds becoming due at maturity or by
12 virtue of a Sinking Fund Requirement shall be included in the calculations of
13 accrued and unpaid and accruing interest or principal in such manner and during
14 such period of time as is specified in any Parity Bond Legislation authorizing
15 such Capital Appreciation Bonds.

16 ~~((ii))~~(b) ~~((Interest on Parity Bonds.))~~For purposes of calculating
17 and determining compliance with the Coverage Requirement, the Reserve
18 Requirement and the conditions for the issuance of Future Parity Bonds~~((--))~~
19 and/or entering into Parity Payment Agreements, the following shall apply:

20 ~~((A))~~i) **Generally.** Except as otherwise provided by subparagraph
21 (ii)~~((B))~~ below with respect to Variable Interest Rate Bonds and
22 by subparagraph ~~((ii)(C))~~iii) below with respect to Parity Bonds
23 with respect to which a Payment Agreement is in force, interest
24 on any issue of Parity Bonds shall be calculated based on the
25 actual amount of accrued, accreted or otherwise accumulated
26 interest that is payable in respect of that issue taken as a whole, at
27

1 the rate or rates set forth in the applicable Parity Bond
2 (~~(Authorizing Ordinance;))~~ Legislation.

3 ~~((B))~~ **ii) Interest on Variable Interest Rate Bonds.** The amount
4 of interest deemed to be payable on any issue of Variable Interest
5 Rate Bonds shall be calculated on the assumption that the interest
6 rate on those bonds would be equal to the rate ~~((the “assumed
7 RBI-based rate”))~~ that is 90% of the average RBI during the
8 ~~((fiscal quarter))~~ four calendar quarters preceding the quarter in
9 which the calculation is made ~~((;))~~.

10 ~~((C))~~ **iii) Interest on Parity Bonds With Respect to Which a**
11 **Payment Agreement is in Force.** Debt service on Parity Bonds
12 with respect to which a Payment Agreement is in force shall be
13 based on the net economic effect on the City expected to be
14 produced by the terms of the Parity Bonds and the terms of the
15 Payment Agreement, including but not limited to the effects
16 ~~((that (i))~~ produced by the following: (A) Parity Bonds that would,
17 but for a Payment Agreement, be treated as obligations bearing
18 interest at a Variable Interest Rate instead shall be treated as
19 obligations bearing interest at a fixed interest rate, and ((ii)) B)
20 Parity Bonds that would, but for a Payment Agreement, be
21 treated as obligations bearing interest at a fixed interest rate
22 instead shall be treated as obligations bearing interest at a
23 Variable Interest Rate. Accordingly, the amount of interest
24 deemed to be payable on any Parity Bonds with respect to which
25 a Payment Agreement is in force shall be an amount equal to the
26 amount of interest that would be payable at the rate or rates stated
27 in those Parity Bonds plus Payment Agreement Payments minus
Payment Agreement Receipts. For the purposes of calculating as
nearly as practicable Payment Agreement Receipts and Payment
Agreement Payments under a Payment Agreement that includes a
variable rate component determined by reference to a pricing
mechanism or index that is not the same as the pricing
mechanism or index used to determine the variable rate interest
component on the Parity Bonds to which the Payment Agreement
is related, it shall be assumed that the fixed rate used in
calculating Payment Agreement Payments will be equal to 105%
of the fixed rate specified by the Payment Agreement and that the
pricing mechanism or index specified by the Payment Agreement
is the same as the pricing mechanism or index specified by the

1 Parity Bonds. Notwithstanding the other provisions of this
2 subparagraph, the City shall not be required to (but may in its
3 discretion) take into account in determining Annual Debt Service
4 the effects of any Payment Agreement that has a term of ten years
5 or less.((, the following assumptions shall be made:))

6 ~~(((1) Counterparty Obligated to Pay Actual Variable Interest on~~
7 ~~Variable Interest Rate Bonds. If any Payment Agreement~~
8 ~~obligates a Qualified Counterparty to make payments to~~
9 ~~the City based on the actual Variable Interest Rate on~~
10 ~~Parity Bonds that would, but for the Payment Agreement,~~
11 ~~be treated as Variable Interest Rate Bonds and obligates~~
12 ~~the City to make payments to the Qualified Counterparty~~
13 ~~based on a fixed rate, payments by the City to the~~
14 ~~Qualified Counterparty shall be assumed to be made at~~
15 ~~the fixed rate specified by the Payment Agreement and~~
16 ~~payments by the Qualified Counterparty to the City shall~~
17 ~~be assumed to be made at the actual Variable Interest Rate~~
18 ~~on such Parity Bonds, without regard to the occurrence of~~
19 ~~any event that, under the provisions of the Payment~~
20 ~~Agreement, would permit the Qualified Counterparty to~~
21 ~~make payments on any basis other than the actual~~
22 ~~Variable Interest Rate on such Parity Bonds, and the~~
23 ~~Parity Bond Authorizing Ordinance shall set forth a debt~~
24 ~~service schedule for those Parity Bonds based on that~~
25 ~~assumption;))~~

26 ~~(((2) Variable Interest Rate Bonds and Payment Agreements~~
27 ~~Having the Same Variable Rate Component. If both a~~
28 ~~Payment Agreement and related Parity Bonds that would,~~
29 ~~but for the Payment Agreement, be treated as Variable~~
30 ~~Interest Rate Bonds include a variable rate payment~~
31 ~~component that is required to be calculated on the same~~
32 ~~basis (including, without limitation, on the basis of the~~
33 ~~same variable rate index that includes a variable rate~~
34 ~~component determined by reference to a pricing~~
35 ~~mechanism or index that is not the same as the pricing~~
36 ~~mechanism or index used to determine the variable rate~~
37 ~~interest component on the Parity Bonds to which the~~
38 ~~Payment Agreement is related, it shall be assumed that the~~
39 ~~variable rate payment component payable pursuant to the~~

1 Payment Agreement is equal in amount to the variable
rate interest component payable on those Parity Bonds;))

2 ~~(((3) Variable Interest Rate Bonds and Payment Agreements~~
3 ~~Having Different Variable Rate Interest Components. If a~~
4 ~~Payment Agreement obligates either the City or the~~
5 ~~Qualified Counterparty to make payments of a variable~~
6 ~~rate interest component on a basis that is different~~
7 ~~(including, without limitation, on a different variable rate~~
8 ~~index) from the basis that is required to be used to~~
9 ~~calculate interest on the Parity Bonds that would, but for~~
10 ~~the Payment Agreement, be treated as Variable Interest~~
11 ~~Rate Bonds, it shall be assumed:--))~~

12 ~~(((a) City Obligated to Make Payments Based on~~
13 ~~Variable Rate Index. If payments by the City~~
14 ~~under the Payment Agreement are to be based on a~~
15 ~~variable rate index and payments by the Qualified~~
16 ~~Counterparty are to be based on a fixed rate, that~~
17 ~~payments by the City to the Qualified~~
18 ~~Counterparty will be based upon an interest rate~~
19 ~~equal to the assumed RBI based rate, and that~~
20 ~~payments by the Qualified Counterparty to the~~
21 ~~City will be based on the fixed rate specified by~~
22 ~~the Payment Agreement; and))~~

23 ~~(((b) City Obligated to Make Payments Based on Fixed~~
24 ~~Rate. If payments by the City under the Payment~~
25 ~~Agreement are to be based on a fixed rate and~~
26 ~~payments by the Qualified Counterparty are to be~~
27 ~~based on a variable rate index, that payments by~~
~~the City to the Qualified Counterparty will be~~
~~based on an interest rate equal to the rate (the~~
~~“assumed fixed payor rate”) that is fixed rate used~~
~~in calculating Payment Agreement Payments will~~
~~be equal to 105% of the fixed rate specified by the~~
~~Payment Agreement, and that payments by the~~
~~Qualified Counterparty to the City will be based~~
~~on a rate equal to the actual Variable Interest Rate~~
~~on the Variable Interest Rate Bonds;))~~

1 ~~(((4)) Certain Payment Agreements May be Disregarded.~~
2 ~~Notwithstanding the provisions of subparagraphs~~
3 ~~(ii)(C)(1), (2) and (3) of this definition, the City shall not~~
4 ~~be required to (but may in its discretion) take into account~~
5 ~~in determining Annual Debt Service the effects of any~~
6 ~~Payment Agreement that has a term of ten years or less;))~~

7 ~~(((D))~~(iv) ~~((Debt Service on))~~**Parity Payment Agreements.** No
8 additional debt service shall be taken into account with respect to
9 a Parity Payment Agreement for any period during which
10 Payment Agreement Payments on that Parity Payment
11 Agreement are taken into account in determining Annual Debt
12 Service on related Parity Bonds under ~~((subparagraph~~
13 ~~(ii)(C))~~subsection (iii) of this definition. However, for any period
14 during which Payment Agreement Payments are not taken into
15 account in calculating Annual Debt Service on any outstanding
16 Parity Bonds because the Parity Payment Agreement is not then
17 related to any outstanding Parity Bonds, ~~((debt service))~~payments
18 on that Parity Payment Agreement shall be taken into account by
19 assuming:

20 ~~(((+))~~A) **City Obligated to Make Payments Based on**
21 **Fixed Rate.** If the City is obligated to make Payment
22 Agreement Payments based on a fixed rate and the
23 Qualified Counterparty is obligated to make payments
24 based on a variable rate index, that payments by the City
25 will be based on the assumed fixed payor rate, and that
26 payments by the Qualified Counterparty will be based on
27 a rate equal to the average rate determined by the variable
28 rate index specified by the Parity Payment Agreement
29 during the ~~((fiscal quarter))~~four calendar quarters
30 preceding the quarter in which the calculation is made,
31 and

32 ~~(((2))~~B) **City Obligated to Make Payments Based on**
33 **Variable Rate Index.** If the City is obligated to make
34 Payment Agreement Payments based on a variable rate
35 index and the Qualified Counterparty is obligated to make
36 payment based on a fixed rate, that payments by the City
37 will be based on a rate equal to the average rate
38 determined by the variable rate index specified by the

1 Parity Payment Agreement during the ~~((fiscal~~
2 ~~quarter))~~four calendar quarters preceding the quarter in
3 which the calculation is made, and that the Qualified
4 Counterparty will make payments based on the fixed rate
5 specified by the Parity Payment Agreement~~((; and))~~.

6 ~~((E))y~~ **Balloon Bonds.** For purposes of calculating debt service
7 on any Balloon Bonds, it shall be assumed that the principal of
8 those Balloon Bonds, together with interest thereon at a rate
9 equal to the assumed RBI~~((-))~~-based rate, will be amortized in
10 equal annual installments over a term of 30 years.

11 **“Authorized Denomination”** means \$5,000 or any integral multiple
12 thereof within a maturity of a Series.

13 **“Average Annual Debt Service”** means, at the time of calculation, the
14 sum of the Annual Debt Service ~~((for the))~~remaining ~~((years))~~to be paid to the
15 last scheduled maturity of the applicable ~~((issue or issues))~~series of Parity Bonds
16 divided by the number of ~~((those))~~years such bonds are scheduled to remain
17 outstanding.

18 **“Balloon Bonds”** means any series of Parity Bonds designated as
19 Balloon Bonds in the applicable Parity Bond ~~((Authorizing~~
20 ~~Ordinance))~~Legislation.

21 ~~((“Bond Account” means that special account of the City known as the~~
22 ~~Water Revenue Bond Account created by Ordinance 116705 in the Water Fund~~
23 ~~of the City for the payment of the principal of, mandatory sinking fund~~
24 ~~payments, Payment Agreement Payments, premiums, (if any), and interest on~~
25 ~~the Parity Bonds.))~~

26 **“Beneficial Owner”** means, with regard to a Bond, the owner of any
27 beneficial interest in that Bond.

1 **“Bond Counsel”** means a lawyer or a firm of lawyers, selected by the
2 City, of nationally recognized (~~and accepted as bond counsel and so employed~~
3 ~~by the City for any purpose under this ordinance applicable to the use of that~~
4 ~~term~~))standing in matters pertaining to bonds issued by states and their political
5 subdivisions.

6 **“Bond Insurance”** means any bond insurance, (~~letter of credit,~~
7 ~~)~~guaranty, surety bond or similar credit enhancement device providing for or
8 securing the payment of all or part of the principal of and interest on any Parity
9 Bonds.

10 (~~“Bond Insurer” means any provider of Bond Insurance approved by~~
11 ~~the City Council by ordinance or resolution.~~)

12 **“Bond Purchase Contract”** means a written offer to purchase a Series,
13 which offer has been accepted by the City in accordance with this ordinance. In
14 the case of a competitive sale, the official notice of sale, the Purchaser’s bid and
15 the award by the City shall comprise the offer and the award by the City in
16 accordance with this ordinance shall be deemed the acceptance of that offer for
17 purposes of this ordinance.

18 **“Bond Register”** means the books or records maintained by the Bond
19 Registrar (~~on which are recorded the names and addresses of the Registered~~
20 ~~Owners of each of the Bonds~~))for the purpose of identifying ownership of each
21 Bond.

22 **“Bond Registrar”** (~~or “Registrar”~~) means the Fiscal (~~Agency of the~~
23 ~~State of Washington~~))Agent (unless the Bond Resolution provides for a different
24 Bond Registrar with respect to a particular Series), or any successor bond

1 registrar selected ~~((by the City, whose duties include the registration and~~
2 ~~authentication of the Bonds, maintenance of the Bond Register, effecting~~
3 ~~transfer of ownership of the Bonds, and paying the principal of and premium, if~~
4 ~~any, and interest on the Bonds))~~ in accordance with the Registration Ordinance.

5 **“Bond Resolution”** means ~~((the))~~ a resolution ~~((or resolutions-))~~ of the
6 City Council adopted pursuant to this ordinance ~~((to specify certain additional~~
7 ~~provisions of each series of the Bonds and their sale.))~~ approving the Bond Sale
8 Terms and taking other actions consistent with this ordinance.

9 **“Bond Sale Terms”** means the terms and conditions for the sale of a
10 Series including the amount, date or dates, denominations, interest rate or rates
11 (or mechanism for determining interest rate or rates), payment dates, final
12 maturity, redemption rights, price, and other terms or covenants set forth in
13 Section 4.

14 **“Bonds”** means the Water System refunding revenue bonds issued ~~((in~~
15 ~~one or more series from time to time-))~~ pursuant to ~~((, under the authority of and~~
16 ~~for the purposes provided in))~~ this ordinance.

17 **“Capital Appreciation Bond((s))”** means any Parity Bond((s)), all or a
18 portion of the interest on which is compounded and accumulated at the rates or
19 in the manner, and on the dates, set forth in the applicable Parity Bond
20 ~~((Authorizing Ordinance))~~ Legislation and is payable only upon redemption or
21 on the maturity date of such Parity Bond((s)). A Parity ~~((Bonds that are))~~ Bond
22 issued as a Capital Appreciation Bond((s)), but which later converts to
23 ~~((obligations))~~ an obligation on which interest is paid periodically, shall be a
24 Capital Appreciation Bond((s)) until the conversion date and thereafter shall no

1 longer be a Capital Appreciation Bond((s)), but shall be treated as having a
2 principal amount equal to ~~((their))~~its Accreted Value on the conversion date.

3 “City” means The City of Seattle, Washington, a municipal corporation
4 duly organized and existing under the laws of the State of Washington.

5 “City Council” means the City Council of the City, as duly and
6 regularly constituted from time to time.

7 ~~((“Closing Date” means the date on which a series of Bonds is delivered~~
8 ~~to the initial purchaser or purchasers thereof upon payment in full therefor.))~~

9 “Code” means the Internal Revenue Code of 1986, ~~((as))~~or any
10 successor thereto, as it has been and may be amended from time to time,~~((and~~
11 ~~applicable rules))~~ and regulations~~((promulgated))~~ thereunder.

12 “Contract Resource Obligation” means an obligation of the City,
13 designated as a Contract Resource Obligation and entered into ~~((pursuant to~~
14 ~~Section 22 of this ordinance, to make payments for water supply, transmission~~
15 ~~or other commodity or service to another person or entity (including without~~
16 ~~limitation a separate utility system created pursuant to Section 21 of this~~
17 ~~ordinance).))~~in accordance with Section 21.

18 “Coverage Requirement”~~((in any fiscal year of the City))~~ means~~((an~~
19 ~~amount of))~~ Adjusted Net Revenue ~~((of the Municipal Water System))~~ equal to
20 at least 1.25 times ~~((the))~~ Adjusted Annual Debt Service~~((that year on all Parity~~
21 ~~Bonds))~~.

22 “DTC” means The Depository Trust Company, New York, New York.

23 “Director of Finance” means the Director of the Finance Division of
24 the Department of Finance and Administrative Services of the City, or any other

1 officer who succeeds to substantially all of the responsibilities of that office(
2 specified in this ordinance.))

3 (~~“DTC” means The Depository Trust Company, New York, New York,~~
4 ~~as initial Securities Depository for the Bonds.~~)

5 **“Event of Default”** shall have the meaning assigned to that term in
6 Section ~~((27(a) of this ordinance.))~~26.

7 **“Fiscal ~~((Agency))~~Agent”** means ~~((either of the fiscal agencies of the~~
8 ~~State of Washington located in Seattle, Washington, and New York, New York,~~
9 ~~or any other paying agent/registrar))~~the fiscal agent of the ~~((City))~~State, as the
10 same may be designated ~~((in))~~by the ~~((Bond Resolution or otherwise~~
11 ~~designated))~~State from time to time.

12 **“Future Parity Bonds”** means, with reference to any Series of the
13 Bonds, all revenue bonds and ~~((other))~~obligations of the Water System (other
14 than ~~((the Bonds))~~ that Series and any other Parity Bonds then outstanding) ~~((of~~
15 ~~the City))~~issued ((hereafter)) or entered into after the Issue Date of such Series,
16 the payment of which constitutes a charge and lien on the Net Revenue ~~((of the~~
17 ~~Municipal Water System))~~equal in rank with the charge and lien upon such
18 revenue required to be paid into the Parity Bond Account ~~((to pay and secure the~~
19 ~~payment of the principal of and interest on the Parity Bonds))~~under Section 16.
20 Future Parity Bonds may include Parity Payment Agreements and any other
21 obligations issued in compliance with Section ~~((19.))~~18.

22 **“Future Parity Bond Legislation”** means any ordinance or resolution
23 passed or adopted by the City Council providing for the issuance and sale of a

1 series of Future Parity Bonds, and any other ordinance or resolution amending
2 or supplementing the provisions of any such ordinance or resolution.

3 **“Government Obligations”**~~((means those government obligations~~
4 ~~defined by RCW 39.53.010(9) as it now reads or hereafter may be amended or~~
5 ~~replaced)) has the meaning given in RCW 39.53.010, as now in effect or as may~~
6 ~~hereafter be amended.~~

7 ~~((**“Gross Revenue of the Municipal Water System”** or))**“Gross**~~
8 ~~**Revenue”**((means in any fiscal year of the City all of the revenues of the~~
9 ~~Municipal Water System, including but not limited to revenue from the sale or~~
10 ~~transmission of water; the sale, lease or furnishing of other commodities,~~
11 ~~services, properties or facilities; the imposition of connection, capital~~
12 ~~improvement or other charges; ULID Assessments; net receipts from Payment~~
13 ~~Agreements; and earnings from the investment of money in the Water Fund.~~
14 ~~However, Gross Revenue shall not include earnings of a separate utility system~~
15 ~~that may be acquired or constructed by the City pursuant to Section 21 of this~~
16 ~~ordinance; principal proceeds of Parity Bonds or other borrowings; or earnings~~
17 ~~or proceeds from any investments in a trust, defeasance or escrow fund created~~
18 ~~to defease or refund Municipal Water System obligations (until commingled~~
19 ~~with other earnings and revenues of the Municipal Water System defined as~~
20 ~~Gross Revenue) or held in a special account for the purpose of paying a rebate to~~
21 ~~the United States Government under the Code.)) means (a) all income, revenues,~~
22 ~~receipts and profits derived by the City through the ownership and operation of~~
23 ~~the Municipal Water System; (b) the proceeds received by the City directly or~~
24 ~~indirectly from the sale, lease or other disposition of any of the properties, rights~~

1 or facilities of the Municipal Water System; (c) Payment Agreement Receipts, to
2 the extent that such receipts are not offset by Payment Agreement Payments;
3 and (d) the investment income earned on money held in any fund or account of
4 the City, including any bond redemption funds and the accounts therein, in
5 connection with the ownership and operation of the Municipal Water System.
6 Gross Revenue does not include: (a) insurance proceeds compensating the City
7 for the loss of a capital asset; (b) income derived from investments irrevocably
8 pledged to the payment of any defeased bonds payable from Gross Revenue; (c)
9 investment income set aside for or earned on money in any fund or account
10 created or maintained solely for the purpose of complying with the arbitrage
11 rebate provisions of the Code; (d) any gifts, grants, donations or other funds
12 received by the City from any State or federal agency or other person if such
13 gifts, grants, donations or other funds are the subject of any limitation or
14 reservation imposed by the donor or grantor or imposed by law or administrative
15 regulation to which the donor or grantor is subject, limiting the application of
16 such funds in a manner inconsistent with the application of Gross Revenue
17 hereunder; (e) the proceeds of any borrowing for capital improvements (or the
18 refinancing thereof); (f) the proceeds of any liability or other insurance
19 (excluding business interruption insurance or other insurance of like nature
20 insuring against the loss of revenues); (g) general *ad valorem* taxes, excise taxes
21 and special assessments, including interest and penalties thereon; and (h)
22 earnings of any separate utility system that may be created, acquired, or
23 constructed by the City pursuant to Section 20.

1 **“Independent ~~((Consulting Engineer))~~Utility Consultant”** means
2 ~~((either (1) an independent licensed professional engineer experienced in the~~
3 ~~design, construction or operation of municipal utilities))~~an independent person
4 or firm having a favorable reputation for skill and experience with municipal
5 water systems of comparable size and character to the Municipal Water
6 System~~((, or (2) an independent certified public accountant or other professional~~
7 ~~consultant experienced in the development of rates and charges for municipal~~
8 ~~utilities of comparable size and character to the Municipal Water System))~~ in
9 such areas as are relevant to the purpose for which they were retained.

10 **“Issue Date”** means, with respect to a Bond, the date, as determined by
11 the Director of Finance, on which that Bond is issued and delivered to the
12 Purchaser in exchange for its purchase price.

13 **“Letter of Representations”** means~~((, for each series of Bonds,))~~ the
14 Blanket Issuer Letter of Representations ((relating to the Bonds to be delivered
15 ~~by the City to DTC))~~between the City and DTC dated October 4, 2006, as it may
16 be amended from time to time, or an agreement with a substitute successor
17 Securities Depository.

18 **“Maximum Annual Debt Service”** means, at the time of calculation,
19 the maximum amount of Annual Debt Service ~~((that will mature or come))~~which
20 shall become due in the current calendar year or in any future calendar year on
21 the Parity Bonds then outstanding.

22 **“MSRB”** means the Municipal Securities Rulemaking Board.

23 **“Municipal Water System”** means the water system of the City as it
24 now exists, and all additions thereto and betterments and extensions thereof at

1 any time made, together with any utility systems of the City here~~((in))~~after
2 combined with the Municipal Water System. The Municipal Water System shall
3 not include any ~~((water supply or other))~~separate utility system~~((service or other~~
4 ~~facilities))~~ that may be created, acquired or constructed by the City as ~~((a~~
5 ~~separate utility system as))~~provided in Section ~~((21 of this ordinance.))~~20.

6 ~~((“Net Revenue of the Municipal Water System” or))~~“Net Revenue”
7 means, for any period, the Gross Revenue less ~~((Operation))~~Operating and
8 Maintenance Expense~~((s))~~.

9 ~~((“Operation))~~Operating and Maintenance Expense(s)” means all
10 expenses incurred by the City in causing the Municipal Water System of the
11 City to be operated and maintained in good repair, working order and condition,
12 including without limitation: deposits, premiums, assessments or other payments
13 for insurance, if any, on the Municipal Water System; payments into pension
14 funds; State~~((-))~~imposed taxes; amounts due under Contract Resource
15 Obligations (but only at the times described in Section ~~((22 of this~~
16 ~~ordinance))~~21); payments made to any other person or entity for the receipt of
17 water supply or transmission or other commodity or service; and payments with
18 respect to any other expenses of the Municipal Water System that are properly
19 treated as operating and maintenance expenses under generally accepted
20 accounting principles applicable to municipal corporations.
21 ~~((Operation))~~Operating and Maintenance Expense~~((s))~~ does not include any
22 depreciation or taxes levied or imposed by the City, or payments to the City in
23 lieu of taxes, or capital additions or capital replacements to the Municipal Water
24 System.

1 **“Outstanding Parity Bonds”** means, with reference to a Series of the
2 Bonds, the ((then outstanding 1997 Bonds, 1998 Bonds, 1999A, 1999B Bonds,
3 2001 Bonds, 2003 Bonds and 2004 Bonds, as))outstanding Parity Bonds
4 described in Exhibit A, and any other Parity Bonds outstanding as of the Issue
5 Date of that Series.

6 **“Owner”** means, without distinction, the Registered Owner and the
7 Beneficial Owner of a Bond.

8 **“Parity Bond Account”** means the Water Revenue Parity Bond
9 Account created by Ordinance 116705 in the Water Fund for the purpose of
10 paying and securing the principal of and interest on Parity Bonds.

11 **“Parity Bond Legislation”** means any ordinance or resolution passed or
12 adopted by the City Council providing for the issuance and sale of a series of
13 Parity Bonds, and any other ordinance or resolution amending or supplementing
14 the provisions of any Parity Bond Legislation.

15 **“Parity Bonds”** means the Outstanding Parity Bonds, the Bonds, and
16 any outstanding Future Parity Bonds((-)) or Parity Payment Agreements.

17 (~~**“Parity Bond Authorizing Ordinance”** means the ordinance and/or~~
18 ~~resolution of the City that authorizes the issuance and sale and establishes the~~
19 ~~terms of a particular issue of Parity Bonds and other matters relating to the same~~
20 ~~plan of finance.))~~

21 **“Parity Conditions”** means the conditions for issuing Future Parity
22 Bonds under the Parity Bond Legislation.

23 **“Parity Payment Agreement”** means a Payment Agreement under
24 which the City’s payment obligations are expressly stated to constitute a charge

1 and lien on the Net Revenue(~~(-of the Municipal Water System))~~) equal in rank
2 with the charge and lien upon such revenue required to be paid into the Parity
3 Bond Account to pay interest on Parity Bonds.

4 **“Payment Agreement”** means a written agreement, for the purpose of
5 managing or reducing the City’s exposure to fluctuations or levels of interest
6 rates or for other interest rate, investment, asset or liability management
7 purposes, entered into on either a current or forward basis by the City and a
8 Qualified Counterparty as authorized by any applicable laws of the State in
9 connection with, or incidental to, the issuance, incurring or carrying of particular
10 bonds, notes, bond anticipation notes, commercial paper(($\frac{1}{2}$)) or other obligations
11 for borrowed money, or lease, installment purchase or other similar financing
12 agreements or certificates of participation therein, that provides for an exchange
13 of payments based on interest rates, ceilings or floors on such payments, options
14 on such payments, or any combination thereof or any similar device.

15 **“Payment Agreement Payments”** means the amounts periodically
16 required to be paid by the City to the Qualified Counterparty pursuant to a
17 Payment Agreement.

18 **“Payment Agreement Receipts”** means the amounts periodically
19 required to be paid by the Qualified Counterparty to the City pursuant to a
20 Payment Agreement.

21 **“Permitted Investments”** means any investments or investment
22 agreements permitted for the investment of City funds under the laws of the
23 State of Washington, as amended from time to time.

1 **“Principal and Interest Subaccount”** means the ~~((account))~~subaccount
2 of that name created in the Parity Bond Account for the payment of the principal
3 of and interest and~~((mandatory redemption requirements, if any))~~ on~~((the))~~
4 Parity Bonds.

5 **“Purchaser”** means the entity or entities who have been selected in
6 accordance with this ordinance to serve as underwriter, purchaser or successful
7 bidder in a sale of any Series.

8 **“Qualified Counterparty”** means a party (other than the City or a party
9 related to the City) who is the other party to a Payment Agreement~~((and))~~,
10 ~~((1))a~~~~((a))i~~ whose senior debt obligations are rated in one of the three highest
11 rating categories of each of the Rating Agencies (without regard to any
12 gradations within a rating category),~~2~~ or ~~((b))ii~~ whose obligations under the
13 Payment Agreement are guaranteed for the entire term of the Payment
14 Agreement by a bond insurer or other institution which has been assigned a
15 credit rating in one of the two highest rating categories of each Rating Agency;~~2~~
16 and~~((2))~~ ~~(b)~~ who is otherwise qualified to act as the other party to a Payment
17 Agreement under any applicable laws of the State.

18 **“Qualified Insurance”** means Bond Insurance provided by an insurance
19 company that, as of the time of issuance of such Bond Insurance, is rated in one of
20 the two highest rating categories (without regard to any gradations within a rating
21 category) by at least two nationally recognized rating agencies.

22 **“Qualified Letter of Credit”** means any letter of credit issued by a
23 financial institution for the account of the City on behalf of the Beneficial
24 Owner of any Parity Bond, which institution maintains an office, agency or

1 branch in the United States and, as of the time of issuance of such letter of
2 credit, is rated in one of the two highest rating categories by at least two
3 nationally recognized rating agencies.

4 “RBI” means *The Bond Buyer Revenue Bond Index* or comparable
5 index, or, if no comparable index can be obtained, 80% of the interest rate for
6 actively traded 30-year United States Treasury obligations.

7 **“Rate Stabilization Account”** means the account of that name created
8 in the Water Fund pursuant to Ordinance 116705 and redesignated for
9 accounting purposes as the Revenue Stabilization Subfund of the Water Fund
10 pursuant to Ordinance 120875.

11 **“Rating ((Agencies))Agency”** means ((Moody’s Investors Service, Inc.,
12 and Standard & Poor’s Ratings Services, a Division of The McGraw-Hill
13 Companies, Inc., and their successors, and any other))any nationally((-)
14 recognized ((securities-))rating agency ((or agencies))then maintaining a rating
15 on a series of Parity Bonds at the request of the City.

16 ~~((“RBI” means *The Bond Buyer Revenue Bond Index* or comparable~~
17 ~~index, or, if no comparable index can be obtained, 80% of the interest rate for~~
18 ~~actively traded 30-year United States Treasury obligations.))~~

19 **“Record Date”** means, unless otherwise defined in the Bond Resolution,
20 in the case of each interest or principal payment or redemption date, the Bond
21 Registrar’s close of business on the 15th day of the month preceding the interest
22 or principal payment date. With regard to redemption of a Bond prior to its
23 maturity, the Record Date shall mean the Bond Registrar’s close of business on

1 the day prior to the date on which the Bond Registrar sends the notice of
2 redemption.

3 **“Refundable Bonds”** means, collectively all(~~or a portion of any~~
4 ~~Outstanding Parity Bonds, the Refundable Subordinate Lien Bonds and the~~
5 ~~Bonds, and all or a portion of those Future)) Parity Bonds that(~~have been~~
6 ~~designated)) the City may from time to time designate as Refundable Bonds(~~in~~
7 ~~the applicable Parity Bond Ordinance)).~~~~~~

8 (~~“Refundable Subordinate Lien Bonds” means, collectively, all or a~~
9 ~~portion of the City’s outstanding Water System Adjustable Rate Revenue~~
10 ~~Bonds, 1995, Water System Adjustable Rate Revenue Bonds, 2002, Series A,~~
11 ~~Water System Adjustable Rate Revenue Bonds, 2002, Series B, and all or a~~
12 ~~portion of any bonds secured by a charge and lien on the Net Revenue of the~~
13 ~~Municipal Water System equal in rank with the charge and lien securing the~~
14 ~~foregoing bonds and which have been designated as Refundable Bonds in the~~
15 ~~ordinance or ordinances authorizing their issuance.))~~

16 **“Refunded Bond Legislation”** means the respective ordinance and
17 resolution, including all amendatory or supplemental ordinances and resolutions,
18 pursuant to which a series of Refunded Bonds was issued.

19 **“Refunded Bonds”** means those Refundable Bonds included in a
20 Refunding Plan.

21 (~~“Refunded Bond Legislation” means the respective Parity Bond~~
22 ~~Authorizing Ordinances or other ordinance or ordinances pursuant to which the~~
23 ~~Refunded Bonds were issued.))~~

1 **“Refunding Plan”** means(~~(, with respect to the issuance of each series~~
2 of Bonds, the refunding of all or a portion of the Refundable Bonds through the
3 issuance of such series, as more particularly described in the Bond Resolution))
4 the plan approved in a Bond Resolution to issue a Series, and to apply the
5 proceeds of the sale of such Series and any other available money included in
6 the plan, to redeem, or to defease and redeem, those Refundable Bonds
7 identified in the plan.

8 **“Refunding Trust Agreement”** means, with respect to each (~~(series of~~
9 Bonds))Series, a refunding trust or escrow agreement, dated as of the Issue Date
10 of such Series, between the City and a Refunding Trustee(~~(, dated as of the~~
11 Closing Date of such series,)) and providing for the (~~(safekeeping))~~irrevocable
12 deposit of (~~(certain))~~ Bond proceeds and (~~(the refunding of all or a portion of the~~
13 Refundable Bonds.-)) other available money of the City, to be used to carry out a
14 Refunding Plan.

15 **“Refunding Trustee”** means, for each (~~(s))~~Series(~~(-of Bonds))~~, the
16 Director of Finance, or (~~(the trustee or escrow agent designated))~~a financial
17 institution selected by the Director of Finance(~~(, consistent with the Refunded~~
18 Bond Legislation and any applicable agreements with Bond Insurers)) to serve
19 as refunding trustee or escrow agent under a Refunding Trust Agreement.

20 **“Registered Owner”** means, with regard to a Bond, the person
21 (~~(shown))~~in whose name that Bond is registered on the Bond Register. For so
22 long as the (~~(owner of one or more Bonds))~~City uses a book-entry only system
23 under the Letter of Representations, the Registered Owner shall mean the
24 Securities Depository.

1 “Registration Ordinance” means City Ordinance 111724 establishing a
2 system of registration for the City’s bonds and other obligations pursuant to
3 Seattle Municipal Code Chapter 5.10, as that chapter now exists or may
4 hereafter be amended.

5 ~~(“Reserve Insurance” means any bond insurance, letter of credit,~~
6 ~~guaranty, surety bond or similar credit enhancement device obtained by the City~~
7 ~~equal to part or all of the Reserve Requirement for any Parity Bonds which is~~
8 ~~issued by an institution which has been assigned a credit rating at the time of~~
9 ~~issuance of the device in one of the two highest rating categories of each of the~~
10 ~~Rating Agencies.)~~

11 “Reserve Requirement” means as of any date the lesser of Maximum
12 Annual Debt Service or 125% of Average Annual Debt Service on the Parity
13 Bonds.

14 “Reserve Security” means any Qualified Insurance or Qualified Letter
15 of Credit obtained by the City to satisfy part or all of the Reserve Requirement,
16 and which is not cancelable on less than three years’ notice.

17 “Reserve Subaccount” means the ~~((account))~~subaccount of that name
18 created in the Parity Bond Account for the purpose of securing the payment of
19 the principal of and interest on ~~((the-))~~Parity Bonds.

20 “Rule 15c2-12” means Rule 15c2-12 promulgated by the SEC under the
21 Securities Exchange Act of 1934, as amended.

22 “SEC” means the United States Securities and Exchange Commission.

23 “Securities Depository” means ~~((any one of the following registered~~
24 ~~securities depositories which has been designated by the City: (i) DTC; (ii)~~

1 ~~Midwest Securities Trust Company, Chicago, Illinois; (iii) Philadelphia~~
2 ~~Depository Trust Company, Philadelphia, Pennsylvania; or (iv) such other~~
3 ~~securities depositories as the City may designate in a certificate of the City~~
4 ~~delivered to the Bond Registrar))~~DTC, any successor thereto, any substitute
5 securities depository selected by the City, or the nominee of any of the
6 foregoing. Any successor or substitute Securities Depository must be qualified
7 under applicable laws and regulations to provide the services proposed to be
8 provided by it.

9 “Serial Bonds” means Parity Bonds maturing in specified years, for
10 which no Sinking Fund Requirements are mandated.

11 “Series” means a series of the Bonds issued pursuant to this ordinance.

12 “Sinking Fund Requirement” means, for any calendar year, the
13 principal amount and premium, if any, of Term Bonds required to be purchased,
14 redeemed, paid at maturity or paid into any Parity Bond Account for such
15 calendar year as established by the Parity Bond Legislation authorizing the
16 issuance of such Term Bonds.

17 “State” means the State of Washington.

18 “State Auditor” means the office of the Auditor of the State or such
19 other department or office of the State authorized and directed by State law to
20 make audits.

21 ~~(“Term Bond Maturity Year” means any calendar year in which Term~~
22 ~~Bonds are scheduled to mature.)~~

23 “Tax Credit Subsidy Bond” means any bond that is designated by the
24 City as a tax credit bond pursuant to the Code, and which is further designated

1 as a “qualified bond” under Section 6431 or similar provision of the Code, and
2 with respect to which the City is eligible to claim a tax credit subsidy payment.

3 “Tax Credit Subsidy Payment” means a payment by the federal
4 government with respect to a Tax Credit Subsidy Bond.

5 “Tax-Exempt Bond” means any Bond, the interest on which is intended
6 on the Issue Date to be excluded from gross income for federal income tax
7 purposes.

8 “Term Bond((s))” means((those Parity Bonds designated as such in the
9 applicable Parity Bond Authorizing Ordinance.)) any Bond that is issued subject
10 to mandatory redemption prior to its maturity in periodic mandatory redemption
11 payments.

12 “ULID” means a utility local improvement district((-))((“ULID
13 Assessments” means all assessments levied and collected in a ULID)) of the
14 City created for the acquisition or construction of additions to and betterments
15 and extensions of the Municipal Water System.

16 “ULID Assessments” means all assessments levied and collected in a
17 ULID, if ((f))and only if((g)) those assessments are pledged to be paid into the
18 ((Bond Account, not including))Parity Bond Account. ULID Assessments shall
19 include all installments of principal, payments of interest, and penalties and
20 interest on delinquencies, but shall not include any prepaid assessments paid into
21 a construction fund or account.((-ULID Assessments shall include installments
22 thereof and any interest or penalties thereon.))

23 “Undertaking” means the((-City’s)) undertaking ((in the Bond
24 Resolution—))to provide ((certain disclosure as provided by Section

1 24.))continuing disclosure entered into pursuant to Section 24, in substantially
2 the form attached as Exhibit B.

3 “Valuation Date” means, with respect to any Capital Appreciation
4 Bond, the date or dates set forth in the relevant Parity Bond Legislation or Bond
5 Purchase Contract on which specific Accreted Values are assigned to that
6 Capital Appreciation Bond.

7 “Variable Interest Rate” means any variable interest rate or rates to be
8 borne by any Parity Bonds. The method of computing such a variable interest
9 rate shall be ((as specified in))set in accordance with the applicable Parity Bond
10 ((Authorizing Ordinance (including a Bond Resolution), which ordinance or
11 resolution also))Legislation, which shall specify either (((1))a) the particular
12 period or periods of time or manner of determining such period or periods of
13 time for which each value of such variable interest rate shall remain in effect or
14 ((2))b) the time or times upon which any change in such variable interest rate
15 shall become effective. ((A Variable Interest Rate may, without limitation, be
16 based on the interest rate on certain bonds or may be based on interest rate,
17 currency, commodity or other indexes.))

18 “Variable Interest Rate Bond((s))” means, for any period of time, any
19 Parity Bond((s)) that bears a Variable Interest Rate during that period, except
20 that a Parity Bond((s)) shall not be treated as a Variable Interest Rate Bond((s))
21 if the net economic effect of interest rates on a particular Parity Bond((s)) of ((an
22 issue))a series and interest rates on other Parity Bonds of the same
23 ((issue))series, as set forth in the applicable Parity Bond ((Authorizing
24 Ordinance))Legislation, or the net economic effect of a Payment Agreement

1 with respect to a particular Parity Bond((s)), in either case is to produce
2 obligations that bear interest at a fixed interest rate; and a Parity Bond((s)) with
3 respect to which a Payment Agreement is in force shall be treated as a Variable
4 Interest Rate Bond((s)) if the net economic effect of the Payment Agreement is
5 to produce ~~((obligations))~~an obligation that bears interest at a Variable Interest
6 Rate.

7 **“Water Fund”** means the fund of that name into which is paid the Gross
8 Revenue of the Municipal Water System.

9 **Section 3. Amendment to Section 2 of the Ordinance.** Section 2 of Ordinance
10 121939 is amended and restated as follows:

11 **Section 2. Authorization ((and Description))of Bonds.** The City
12 is authorized to ~~((issue Bonds for the purpose of providing all or a part of the~~
13 ~~funds with which to pay the cost of refunding, defeasing, or refunding and~~
14 ~~defeasing, the Refunded Bonds and to pay all or part of the costs of issuing and~~
15 ~~selling))~~issue Municipal Water System revenue bonds, payable from the sources
16 described in Section 14, in principal amounts not to exceed the limits stated in
17 Section 4, to carry out one or more Refunding Plans, including paying the
18 administrative costs of carrying out each such Refunding Plan, and to pay the
19 costs of issuance of the Bonds. The Bonds may be issued in one or more ~~((series~~
20 ~~at any time on or before December 31, 2015,))~~Series and may be combined with
21 other Parity Bonds authorized separately. ~~((The maximum principal amount of~~
22 ~~any series of the Bonds shall not exceed 125% of the then outstanding principal~~
23 ~~amount of the Refundable Bonds refunded by that series of Bonds))~~The Bonds
24 shall be designated Municipal Water System revenue bonds and shall be

1 numbered separately and shall have any name, year and series or other label as
2 deemed necessary or appropriate by the Director of Finance.

3 ~~((The Bonds shall be dated and have such year and series or other~~
4 ~~designation as determined by the Director of Finance or as specified by the Bond~~
5 ~~Resolution; shall be in the denomination of \$5,000 or any integral multiple~~
6 ~~thereof within a single maturity or such other denomination specified in the~~
7 ~~Bond Resolution; and shall be numbered separately, in the manner and with any~~
8 ~~additional designation as the Bond Registrar deems necessary for the purpose of~~
9 ~~identification. The Bonds shall mature on the dates and in the amounts and bear~~
10 ~~interest payable on the dates and at the rates specified in the Bond Resolution;~~
11 ~~except that the net interest cost shall not exceed a weighted average rate of ten~~
12 ~~percent per annum. All or some of the Bonds may be Term Bonds, as specified~~
13 ~~by the Bond Resolution. The final maturity of any series of Bonds shall not~~
14 ~~exceed 40 years from the issue date for that series.))~~

15 **Section 4. Amendment to Section 3 of the Ordinance.** Section 3 of Ordinance
16 121939 is deleted in its entirety:

17 ~~((Section 3. **Bond Resolution.** With respect to each series of Bonds, the~~
18 ~~City Council may adopt the Bond Resolution and in that resolution may provide~~
19 ~~for the matters described in this ordinance, including the manner of sale and~~
20 ~~delivery of and payment for the Bonds, the refunding of the Refunded Bonds,~~
21 ~~and such other matters that the City Council deems necessary and appropriate to~~
22 ~~carry out the purposes of this ordinance. Once adopted, the Bond Resolution~~
23 ~~shall be deemed a part of this ordinance as if set forth herein. For each series of~~
24 ~~Bonds, the Bond Resolution may provide for Bond Insurance or Reserve~~

1 ~~Insurance, and conditions or covenants relating thereto, including additional~~
2 ~~terms, conditions and covenants relating to the Bonds that are required by the~~
3 ~~bond insurer or letter of credit provider and are consistent with the provisions of~~
4 ~~this ordinance, including but not limited to restrictions on investments and~~
5 ~~requirements of notice to and consent of the bond insurer or letter of credit~~
6 ~~provider. For each series of Bonds, the Bond Resolution may approve and~~
7 ~~authorize the execution and delivery on behalf of the City of any contracts~~
8 ~~consistent with the provisions of this ordinance for which the City's approval is~~
9 ~~necessary or to which the City is a party and that are related or incidental to the~~
10 ~~initial issuance and sale of the Bonds, the initial establishment of the interest rate~~
11 ~~or rates on the Bonds and any redemption of the Bonds, including but not~~
12 ~~limited to Payment Agreements and similar contracts for such purposes. The~~
13 ~~Bond Resolution for each series of Bonds shall identify the Refunded Bonds to~~
14 ~~be refunded by that series, shall establish the terms and conditions upon which~~
15 ~~the Refunded Bonds are to be refunded, and shall confirm the Director of~~
16 ~~Finance as, or the Director of Finance's appointment of, the Refunding Trustee.~~
17 ~~The City Council may specify in the Bond Resolution the amount, if any, from~~
18 ~~the proceeds of or accrued interest on the Bonds to be deposited into specified~~
19 ~~funds, subfunds, accounts and subaccounts. In the absence of such a~~
20 ~~determination and specification in the Bond Resolution, the Director of Finance~~
21 ~~may make such determination and specification.))~~

22 **Section 5. Amendment to Section 4 of the Ordinance.** Section 4 of Ordinance

23 121939 is amended and restated as follows:

1 **Section 4. ~~((Allocation of the Bonds to the Refunded~~**
2 **~~Bonds))Bond Sale Terms; Bond Resolution.~~ ((With respect to each series of**
3 **~~Bonds, the City Council shall, by the Bond Resolution, provide for the~~**
4 **~~allocation of that series of Bonds to the various series of the Refunded Bonds in~~**
5 **~~a manner consistent with the Code. Such allocation shall be reflected in~~**
6 **~~schedules attached to the Bond Resolution.))The Director of Finance is~~**
7 **appointed to serve as the City's designated representative in connection with the**
8 **issuance and sale of the Bonds in accordance with RCW 39.46.040(2) and this**
9 **ordinance. The Director of Finance is authorized to accept, on behalf of the City,**
10 **an offer to purchase the Bonds on Bond Sale Terms consistent with the**
11 **parameters set forth in this section. No such acceptance shall be effective until**
12 **adoption of a Bond Resolution approving the Bond Sale Terms. Once adopted,**
13 **the Bond Resolution shall be deemed a part of this ordinance as if set forth**
14 **herein.**

15 **(a) Maximum Principal Amount. The Bonds may be issued in one**
16 **or more Series and may be combined with other Parity Bonds authorized**
17 **separately. The aggregate principal amount of the Bonds allocated to each**
18 **Refunding Plan shall not exceed 125% of the stated principal amount or**
19 **Accreted Value of the Refunded Bonds included in that Refunding Plan.**

20 **(b) Date or Dates. Each Bond shall be dated its Issue Date, as**
21 **determined by the Director of Finance, which shall be determined by the**
22 **Director of Finance.**

23 **(c) Denominations. The Bonds shall be issued in Authorized**
24 **Denominations.**

1 **(d) Interest Rate(s); Payment Dates.** Each Bond shall bear interest
2 from the Issue Date or from the most recent date to which interest has been paid
3 or duly provided for, whichever is later, and shall be payable on dates
4 determined by the Director of Finance. One or more rates of interest shall be
5 established for each maturity of each Series, which rate or rates may be fixed
6 interest rates or Variable Interest Rates. Fixed interest rates shall be computed
7 on the basis of a 360-day year of twelve 30-day months and the net interest cost
8 shall not exceed a weighted average rate of 10% per annum. Principal payments
9 shall commence on a date and shall be payable at maturity or have Sinking Fund
10 Requirements on dates determined by the Director of Finance.

11 **(e) Final Maturity.** The Bonds shall mature no later than 40 years
12 after the Issue Date.

13 **(f) Redemption Rights.** The Bond Sale Terms may include
14 provisions for the optional and mandatory redemption of Bonds determined by
15 the Director of Finance, subject to the following:

16 **(i) Optional Redemption.** Any Bond may be designated as being
17 (A) subject to redemption at the option of the City prior to its
18 maturity date on the dates and at the redemption prices set forth
19 in the Bond Purchase Contract; or (B) not subject to redemption
20 prior to its maturity date. If a Bond is subject to optional
21 redemption prior to its maturity, it must be subject to such
22 redemption on one or more dates occurring not more than 10½
23 years after the Issue Date.

24 **(ii) Mandatory Redemption.** Any Bond may be designated as a
25 Term Bond, subject to mandatory redemption prior to its maturity
26 on the dates and in Sinking Fund Requirements consistent with
27 Section 7(b).

1 (g) Price. The purchase price for each Series shall be acceptable to
2 the Director of Finance.

3 (h) Other Terms and Conditions.

4 (i) As of the Issue Date of each Series, (A) the Finance Director
5 must determine that the Parity Conditions have been met or
6 satisfied, so that such Series may be issued as Parity Bonds, and
7 (B) the City Council must find the Bond Resolution that, in
8 creating the Parity Bond Account and in fixing the amounts to be
9 paid into it in accordance with this ordinance, the City Council
10 has had due regard for the cost of maintenance and operation of
11 the Municipal Water System, and is not setting aside into the
12 Parity Bond Account a greater amount than in the judgment of
13 the City Council, based on the rates to be established from time
14 to time consistent with Section 17(b), will be available over and
15 above such cost of maintenance and operation.

16 (ii) A Series may not be issued unless the Bond Resolution with
17 respect to that Series sets forth a Refunding Plan and includes the
18 findings that:

19 (A) The Refunding Plan (1) will pay or discharge the City's
20 obligations with respect to Refundable Bonds that are in
21 arrears or about to become due, and for which sufficient
22 funds are not available; (2) is necessary or in the best
23 interest of the City to modify debt service requirements,
24 sources of payment covenants or other terms of the
25 Refunded Bonds; or (3) will effect a savings to the City,
26 giving consideration to the fixed maturities of the Series
27 to be issued and of the Refunded Bonds, the costs of
issuance of that Series and the known earned income from
the investment of the sale proceeds and other money of
the City used in the Refunding Plan; and

(B) the irrevocable deposit of money and securities with the
Refunding Trustee in accordance with the Refunding Plan
will discharge and satisfy the obligations of the City as to
the Refunded Bonds, including all pledges, charges,
trusts, covenants and agreements under the Refunded

Bond Legislation, and immediately upon such deposit, the Refunded Bonds will no longer be deemed to be outstanding under the Refunded Bond Legislation.

(iii) The Bond Sale Terms for any Series may provide for Bond Insurance, a Reserve Security or other credit enhancement, or for a Parity Payment Agreement. To that end, the Bond Sale Terms may include such additional terms, conditions and covenants as may be necessary or desirable, including but not limited to: restrictions on investment of Bond proceeds and pledged funds, and requirements to give notice to or obtain the consent of a credit enhancement provider or a Qualified Counterparty.

(iv) The Bond Sale Terms must establish the method of providing for the Reserve Requirement, consistent with Section 16(a)(ii).

(v) Any Series may be designated or qualified as Tax-Exempt Bonds, Tax Credit Subsidy Bonds, or other taxable bonds, and may include such additional terms and covenants relating to federal tax matters as the Director of Finance deems necessary or appropriate, consistent with Section 23.

Section 6. Amendment to Section 5 of the Ordinance. Section 5 of Ordinance

121939 is amended and restated as follows:

Section 5. Bond Registrar; Registration and Transfer~~((or Exchange))~~ of Bonds.

(a) Registration of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register.

(b) Bond Registrar; Transfer and Exchange of Bonds. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times.

The Bond Register shall contain the name and mailing address of the Registered

1 Owner of each Bond and the principal amount and number of each of the Bonds
2 held by each Registered Owner. The Bond Registrar is authorized, on behalf of
3 the City, to authenticate and deliver Bonds transferred or exchanged in
4 accordance with the provisions of the Bonds and this ordinance, to serve as the
5 City's paying agent for the Bonds and to carry out all of the Bond Registrar's
6 powers and duties under this ordinance and the Registration Ordinance.

7 The Bond Registrar shall be responsible for its representations contained
8 in the Bond Registrar's certificate of authentication on the Bonds. The Bond
9 Registrar may become an Owner of Bonds with the same rights it would have if
10 it were not the Bond Registrar and, to the extent permitted by law, may act as
11 depository for and permit any of its officers or directors to act as members of, or
12 in any other capacity with respect to, any committee formed to protect the rights
13 of Owners. Bonds surrendered to the Bond Registrar may be exchanged for
14 Bonds in any ~~((a))~~ Authorized ~~((d))~~ Denomination of an equal aggregate principal
15 amount and of the same ~~((s))~~ Series, interest rate and maturity. Bonds may be
16 transferred only if endorsed in the manner provided thereon and surrendered to
17 the Bond Registrar. Any exchange or transfer shall be without cost to the ~~((~~
18 ~~Registered))~~ Owner or transferee. The Bond Registrar shall not be obligated to
19 exchange or transfer any Bond during the ~~((15 days preceding any principal~~
20 ~~or))~~ period between the Record Date and the corresponding interest payment or
21 redemption date ~~((or other record date established by the Bond Resolution))~~.

22 (c) Securities Depository; Book-Entry Form. The Bonds initially
23 shall be registered in the name of the Securities Depository. The Bonds so
24 registered shall be held fully immobilized in book-entry form by the Securities

1 Depository in accordance with the provisions of the Letter of Representations.
2 Neither the City nor the Bond Registrar shall have any responsibility or
3 obligation to participants of the Securities Depository or the persons for whom
4 they act as nominees with respect to the Bonds regarding accuracy of any
5 records maintained by the Securities Depository or its participants of any
6 amount in respect of principal of or interest on the Bonds, or any notice which is
7 permitted or required to be given to Owners hereunder (except such notice as is
8 required to be given by the Bond Registrar to the Securities Depository).
9 Registered ownership of a Bond initially held in book-entry form, or any portion
10 thereof, may not be transferred except: (i) to any successor Securities
11 Depository; (ii) to any substitute Securities Depository appointed by the City or
12 such substitute Securities Depository's successor; or (iii) to any person if the
13 Bond is no longer held in book-entry form.

14 Upon the resignation of the Securities Depository from its functions as
15 depository, or upon a City determination to discontinue services of the Securities
16 Depository, the City may appoint a substitute Securities Depository. If (i) the
17 Securities Depository resigns from its functions as depository, and no substitute
18 Securities Depository can be obtained, or (ii) the City determines that the Bonds
19 are to be in certificated form, then ownership of Bonds may be transferred to any
20 person as provided herein and the Bonds no longer shall be held in book-entry
21 form.

22 ~~((The City appoints DTC as initial Securities Depository for the Bonds.~~
23 ~~For so long as DTC is the Securities Depository for the Bonds, DTC or its~~
24 ~~nominee shall be deemed to be the Registered Owner of the Bonds for all~~

1 ~~purposes hereunder, and all references in this ordinance or the Bond Resolution~~
2 ~~to the Registered Owners of the Bonds shall mean DTC or its nominee and shall~~
3 ~~not mean the owners of any beneficial interests in the Bonds. Payments of~~
4 ~~principal of, premium, if any, and interest on all outstanding Bonds registered in~~
5 ~~the name of the nominee of DTC, or its registered assign, shall be made as~~
6 ~~provided in the Letter of Representations.))~~

7 ~~((Bonds executed and delivered in fully immobilized form shall be~~
8 ~~executed and delivered in the form of one fully registered immobilized~~
9 ~~certificate for each series and maturity of the Bonds representing the aggregate~~
10 ~~principal amount of the Bonds of that series and maturity, which Bonds shall~~
11 ~~(except as provided below for the discontinuation or substitution of Securities~~
12 ~~Depository) be registered in the name of the Securities Depository or its~~
13 ~~nominee. For so long as DTC serves as Securities Depository for the Bonds, the~~
14 ~~Bonds shall be registered in the name of Cede & Co., as nominee of DTC;~~
15 ~~however, if DTC shall request that the Bonds be registered in the name of a~~
16 ~~different nominee, the Bond Registrar shall exchange all or any portion of the~~
17 ~~Bonds for an equal aggregate principal amount of Bonds registered in the name~~
18 ~~of such other nominee or nominees of DTC. No person other than DTC or its~~
19 ~~nominee shall be entitled to receive from the City or the Bond Registrar any~~
20 ~~Bond or any other evidence of ownership of the Bonds, or any right to receive~~
21 ~~any payment in respect thereof, unless DTC or its nominee shall transfer record~~
22 ~~ownership of all or any portion of the Bonds on the Bond Register, in~~
23 ~~connection with discontinuing the book entry system as provided below or~~
24 ~~otherwise.))~~

1 ~~((For so long as the Bonds are registered in the name of DTC or any~~
2 ~~nominee thereof, all payments of the principal of, or premium, if any, or interest~~
3 ~~with respect to the Bonds shall be made to DTC or its nominee in immediately~~
4 ~~available funds on the dates provided for such payments under this ordinance~~
5 ~~and the Bond Resolution and at such times and in the manner provided in the~~
6 ~~Letter of Representations. Each such payment to DTC or its nominee shall be~~
7 ~~valid and effective to fully discharge all liability of the City or the Bond~~
8 ~~Registrar with respect to the principal of, premium, if any, or interest with~~
9 ~~respect to the Bonds to the extent of the sum or sums so paid. In the event of the~~
10 ~~redemption of less than all of the Bonds of any series and maturity, the Bond~~
11 ~~Registrar shall not require surrender by DTC or its nominee of the Bonds so~~
12 ~~redeemed, and DTC or its nominee may retain such Bonds and make an~~
13 ~~appropriate notation thereon as to the amount of such partial redemption. DTC~~
14 ~~shall deliver to the Bond Registrar, upon request, a written confirmation of such~~
15 ~~partial redemption. The records maintained by the Bond Registrar shall be~~
16 ~~conclusive as to the amount of the Bonds of such series and maturity that have~~
17 ~~been redeemed.))~~

18 ~~((All transfers of beneficial ownership interests in Bonds registered in~~
19 ~~the name of DTC or its nominee shall be effected by the procedures of DTC's~~
20 ~~participants and/or indirect participants for recording and transferring the~~
21 ~~ownership of beneficial interests in bonds.))~~

22 ~~((The City and the Bond Registrar may treat DTC (or its nominee) as the~~
23 ~~sole and exclusive Registered Owner of the Bonds registered in its name for the~~
24 ~~purposes of payment of the principal of, premium, if any, or interest with respect~~

1 to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any
2 notice permitted or required to be given to Registered Owners under this
3 ordinance or the Bond Resolution, registering the transfer of Bonds, obtaining
4 any consent or other action to be taken by Registered Owners of Bonds and for
5 all other purposes whatsoever; and the City and the Bond Registrar shall not be
6 affected by any notice to the contrary. The City and the Bond Registrar shall not
7 have any responsibility or obligation to any direct or indirect DTC participant,
8 any person claiming a beneficial ownership interest in the Bonds under or
9 through DTC or any such participant, or any other person which is not shown on
10 the Bond Register as being a Registered Owner of Bonds, with respect to: (i) the
11 Bonds; (ii) any records maintained by DTC or any such participant; (iii) the
12 payment by DTC or any such direct or indirect participant of any amount in
13 respect of the principal of, premium, if any, or interest with respect to the Bonds;
14 (iv) any notice which is permitted or required to be given to Registered Owners
15 of Bonds under this ordinance or the Bond Resolution; (v) the selection by DTC
16 or any such direct or indirect participant of any person to receive payment in the
17 event of a partial redemption of the Bonds; or (vi) any consent given or other
18 action taken by DTC as Registered Owner of the Bonds.))

19 ((For so long as the Bonds are registered in the name of DTC or any
20 nominee thereof, all notices required or permitted to be given to the Registered
21 Owners of such Bonds under this ordinance or the Bond Resolution shall be
22 given to DTC as provided in the Letter of Representations.))

23 ((In connection with any notice or other communication to be provided
24 to Registered Owners pursuant to this ordinance or the Bond Resolution by the

1 ~~City or the Bond Registrar with respect to any consent or other action to be~~
2 ~~taken by Registered Owners of the Bonds, DTC shall consider the date of receipt~~
3 ~~of notice requesting such consent or other action as the record date for such~~
4 ~~consent or other action; however, the City or the Bond Registrar may establish a~~
5 ~~special record date for such consent or other action and shall give DTC notice of~~
6 ~~such special record date not less than 15 calendar days in advance of such~~
7 ~~special record date to the extent practical.)~~)

8 ~~((Any successor Bond Registrar, in its written acceptance of its duties~~
9 ~~under this ordinance and the Bond Resolution, shall agree to take any actions~~
10 ~~necessary from time to time to comply with the requirements of any applicable~~
11 ~~Letter of Representations.))~~)

12 ~~((The book entry system for registration of the ownership of the Bonds~~
13 ~~delivered in fully immobilized form may be discontinued at any time if: (i) after~~
14 ~~notice to the City and the Bond Registrar, DTC determines to resign as~~
15 ~~Securities Depository for the Bonds; or (ii) after notice to DTC and the Bond~~
16 ~~Registrar, the City determines that a continuation of the system of book entry~~
17 ~~transfers through DTC (or through a successor Securities Depository) is not in~~
18 ~~the best interests of the City. In each of such events (unless, in the case~~
19 ~~described in clause (i) above, the City appoints a successor Securities~~
20 ~~Depository), the Bonds shall be delivered in registered certificate form to such~~
21 ~~persons, and in such maturities and principal amounts, as may be designated by~~
22 ~~DTC, but without any liability on the part of the City or the Bond Registrar for~~
23 ~~the accuracy of such designation. Whenever DTC requests the City and the~~
24 ~~Bond Registrar to do so, or whenever the City requests DTC and the Bond~~

1 Registrar to do so after the determination by the City to replace DTC with a
2 successor Securities Depository, the City and the Bond Registrar shall cooperate
3 with DTC in taking appropriate action after reasonable notice to arrange for
4 another Securities Depository to maintain custody of certificates evidencing the
5 Bonds.))

6 **Section 7. Amendment to Section 6 of the Ordinance.** Section 6 of Ordinance
7 121939 is deleted in its entirety:

8 ((**Section 6. Mutilated, Lost, Stolen and Destroyed Bonds.** In case
9 any Bonds issued hereunder shall become mutilated or be destroyed, stolen or
10 lost, the City may, if not then prohibited or otherwise required by law, cause to
11 be executed and delivered a new Bond of like amount, interest rate, maturity
12 date, series and tenor in exchange and substitution for and upon cancellation of
13 such mutilated Bonds, or in lieu of and in substitution for such destroyed, stolen
14 or lost Bonds, upon payment by the Registered Owner thereof of the reasonable
15 expenses and charges of the City and the Bond Registrar in connection
16 therewith, and in the case of a Bond destroyed, stolen or lost, the filing with the
17 Bond Registrar of evidence satisfactory to it that such Bond was destroyed,
18 stolen or lost, and of the ownership thereof, and furnishing the City and the
19 Bond Registrar with indemnity satisfactory to each of them. If the mutilated,
20 destroyed, stolen or lost Bond already has matured or been called for redemption
21 in accordance with its terms it shall not be necessary to issue a new Bond prior
22 to payment. If the provisions of State law at any time differ from the provisions
23 of this Section 6 with respect to the requirements or procedures for replacing or
24
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27

1 otherwise handling mutilated, lost, stolen or destroyed Bonds, then the
2 provisions of State law shall prevail.)

3 **Section 8. Amendment to Section 7 of the Ordinance.** Section 7 of Ordinance
4 121939 is renumbered as Section 6 and is amended and restated as follows:

5 **Section ~~((7))6. Payment of Bonds~~~~((Principal and Interest))~~.** Principal
6 of~~((, premium, if any,))~~ and interest on~~((the Bonds))~~ each Bond shall be payable
7 solely out of the Parity Bond Account, in lawful money of the United States~~((of~~
8 ~~America. Interest on the Bonds shall be paid by checks or drafts mailed by the~~
9 ~~Bond Registrar))~~ Principal of and interest on each Bond registered in the name
10 of the Securities Depository is payable in the manner set forth in the Letter of
11 Representations. Interest on each Bond not registered in the name of the
12 Securities Depository is payable by electronic transfer on the interest payment
13 date, or by check or draft of the Bond Registrar mailed on the interest payment
14 date to the Registered Owner~~((s))~~ at the address~~((es))~~ appearing on the Bond
15 Register on the ~~((15th day of the month preceding the interest payment date (or~~
16 ~~other record date established by the Bond Resolution) (the "Record Date") or, at~~
17 ~~the request of))~~ Record Date. However, the City is not required to make
18 electronic transfers except pursuant to a request by a Registered Owner ~~((of~~
19 ~~\$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to~~
20 ~~an account in the United States designated in writing by such Registered~~
21 ~~Owner))~~ in writing received at least ten days prior to the Record Date and at the
22 sole expense of the Registered Owner. Principal of ~~((and premium, if any, on~~
23 ~~the Bonds shall be))~~ each Bond not registered in the name of the Securities
24 Depository is payable upon presentation and surrender of the Bond~~((s))~~ by the

1 Registered (~~Owners at either of the principal corporate trust office or offices of~~
2 ~~the Bond Registrar at the option of the Registered Owners. Notwithstanding the~~
3 ~~foregoing, payment of any Bonds registered in the name of DTC or its nominee~~
4 ~~shall be made in accordance with the Letter of Representations.))Owner to the
5 Bond Registrar.~~((The Bonds shall be payable solely out of the Bond Account~~
6 ~~and shall not be general obligations of the City.)) The Bonds are not subject to
7 acceleration under any circumstances.~~~~

8 **Section 9. Amendment to Section 8 of the Ordinance.** Section 8 of Ordinance
9 121939 is renumbered as Section 7 and is amended and restated as follows:

10 **Section-~~(8)~~ 7. Redemption and~~(Open Market)~~ Purchase of**
11 **Bonds.**

12 (a) **Optional Redemption.** All or some of the Bonds may be subject
13 to redemption prior to their stated maturity dates at the option of the City at the
14 times and on the terms (~~set forth in the Bond Resolution~~)approved in
15 accordance with Section 4.

16 (b) **Mandatory Redemption.** (~~The City shall redeem any Term~~
17 ~~Bonds, if)~~If not redeemed (~~under the optional redemption provisions set forth~~
18 ~~in the Bond Resolution or purchased in the open market under the provisions set~~
19 ~~forth below, by lot (or in such other manner as the Bond Registrar shall~~
20 ~~determine) at par~~)or purchased at the City's option prior to maturity, Term
21 Bonds (if any) shall be redeemed, at a price equal to the principal amount
22 thereof to be redeemed plus accrued interest, on the dates and in the (~~years and~~
23 ~~principal amounts~~)Sinking Fund Requirements as set forth in the Bond
24 Resolution. If the City redeems (~~Term Bonds under the optional redemption~~

1 ~~provisions set forth in the Bond Resolution~~) or purchases Term Bonds ~~((in))~~ at
2 ~~the~~ ~~((open market as set forth below))~~ City's option prior to maturity, the Term
3 Bonds so redeemed or purchased (irrespective of their redemption or purchase
4 prices) shall be credited at the par amount thereof against the remaining
5 ~~((mandatory redemption requirements in a manner to be))~~ Sinking Fund
6 Requirements as determined by the Director of Finance ~~((or, if no such))~~. In the
7 absence of a determination ((is made, on a pro-)) by the Director of Finance or
8 other direction in the Bond Resolution, credit shall be allocated on a pro rata
9 basis.

10 (c) **Selection of Bonds for Redemption; Partial Redemption.**

11 ~~((Whenever less than all of the Bonds of a single series and maturity are to be~~
12 ~~redeemed, the Bond Registrar shall select the Bonds or portions thereof to be~~
13 ~~redeemed from the Bonds of that series and maturity by lot, or in such other~~
14 ~~manner as the Bond Registrar shall determine, except that, for so long as the~~
15 ~~Bonds are))~~ If fewer than all of the outstanding Bonds are to be redeemed at the
16 option of the City, the Director of Finance shall select the Series and maturity or
17 maturities to be redeemed. If fewer than all of the outstanding Bonds of a
18 maturity of a Series are to be redeemed, the Securities Depository shall select
19 Bonds registered in the name of ~~((DTC or its nominee, DTC shall select the~~
20 ~~Bonds or portions thereof))~~ the Securities Depository to be redeemed in
21 accordance with the Letter of Representations ~~((In no event shall any Bond be~~
22 ~~outstanding in a principal amount that is not an authorized~~
23 ~~denomination.))~~ ~~((Portions of the principal amount of any Bond, in integral~~
24 ~~amounts of \$5,000,))~~ and the Bond Registrar shall select all other Bonds to be

1 redeemed randomly in such manner as the Bond Registrar shall determine. All
2 or a portion of the principal amount of any Bond that is to be redeemed may be
3 redeemed~~((, unless otherwise provided in the Bond Resolution.))~~ in any
4 Authorized Denomination. If less than all of the outstanding principal amount of
5 any Bond is redeemed, upon surrender of that Bond ~~((at either of the principal~~
6 ~~offices of))~~ to the Bond Registrar, there shall be issued to the Registered Owner,
7 without charge~~((therefor))~~, a new Bond (or Bonds, at the option of the
8 Registered Owner) of the same ~~((s))~~ Series, maturity and interest rate in any ~~((of~~
9 ~~the denominations authorized by the Bond Resolution))~~ Authorized
10 Denomination in the aggregate ~~((total--))~~ principal amount ~~((remaining~~
11 ~~unredeemed))~~ to remain outstanding.

12 (d) ~~((Open Market--))~~ Purchase. The City reserves the right and
13 option to purchase any or all of the Bonds ~~((in))~~ offered to the ~~((open~~
14 ~~market))~~ City at any time at any price acceptable to the City plus accrued interest
15 to the date of purchase.~~((The principal amount of Term Bonds purchased~~
16 ~~pursuant to this Section 8 shall be credited at the par amount thereof against the~~
17 ~~next mandatory redemption requirement, or as otherwise directed by the~~
18 ~~Director of Finance.))~~

19 ~~((e) Bonds to be Canceled.))~~ ~~((All Bonds purchased or redeemed~~
20 ~~under this Section 8 shall be canceled.))~~

21 **Section 10. Amendment to Section 9 of the Ordinance.** Section 9 of Ordinance
22 121939 is renumbered as Section 8 and is amended and restated as follows:

23 **Section ~~((9))~~ 8. Notice of Redemption.** The City shall cause notice of
24 any intended redemption of Bonds to be given not less than ~~((30))~~ 20 nor more

1 than 60 days prior to the date fixed for redemption by first-class mail, postage
2 prepaid, to the Registered Owner of any Bond to be redeemed at the address
3 appearing on the Bond Register (~~(at the time the Bond Registrar prepares the~~
4 ~~notice))~~ on the Record Date, and the requirements of this sentence shall be
5 deemed to have been fulfilled when notice has been mailed as so provided,
6 whether or not it is actually received by the (~~(Registered-))~~ Owner of any Bond.
7 Interest on Bonds called for redemption shall cease to accrue on the date fixed
8 for redemption unless the Bond or Bonds called are not redeemed when
9 presented pursuant to the call. (~~(In addition, the redemption notice shall be~~
10 ~~mailed by the Bond Registrar within the same period, postage prepaid, to each~~
11 ~~of the Rating Agencies at their offices in New York, New York, to any Bond~~
12 ~~Insurer for the Bonds, and to such other persons and with such additional~~
13 ~~information as the Director of Finance shall determine or as specified in the~~
14 ~~Bond Resolution, but these additional mailings shall not be a condition~~
15 ~~precedent to the redemption of Bonds.))~~)

16 In the case of an optional redemption, the notice may state that the City
17 retains the right to rescind the redemption notice and the related optional
18 redemption of Bonds by giving a notice of rescission to the affected Registered
19 Owners at any time prior to the scheduled optional redemption date. Any notice
20 of optional redemption that is rescinded by the Director of Finance shall be of no
21 effect, and the Bonds for which the notice of optional redemption has been
22 rescinded shall remain outstanding.

1 **Section 11. Amendment to Section 10 of the Ordinance.** Section 10 of Ordinance
2 121939 is renumbered as Section 9 and is amended and restated as follows:

3 **Section ~~((10))~~9. Failure to ~~((Redeem))~~Pay Bonds.** If any Bond is
4 not ~~((redeemed))~~paid when properly presented at its maturity or
5 ~~((call))~~redemption date, the City shall be obligated to pay, solely from the
6 Parity Bond Account and the other sources pledged in this ordinance, interest on
7 that Bond at the same rate provided in th~~((e))~~at Bond from and after its maturity
8 or ~~((call))~~redemption date until that Bond, principal~~((-of))~~, premium, if any and
9 interest, is paid in full or until sufficient money for its payment in full is on
10 deposit in the Parity Bond Account and th~~((e))~~at Bond has been called for
11 payment by giving notice of that call to the Registered Owner of ~~((each of those~~
12 ~~unpaid Bonds))~~that Bond.

13 **Section 12. Amendment to Section 11 of the Ordinance.** Section 11 of Ordinance
14 121939 is renumbered as Section 10 is amended and restated as follows:

15 **Section ~~((11))~~10. Form and Execution of Bonds.** The Bonds shall
16 be typed, ~~((photocopied,))~~printed or ~~((lithographed on good bond~~
17 ~~paper))~~reproduced in a form consistent with the provisions of this ordinance, the
18 Bond Resolution and State law, shall be signed by the Mayor~~((of The City of~~
19 ~~Seattle))~~ and Director of Finance, either or both of whose signatures may be
20 manual or in facsimile, and the seal of the City or a facsimile reproduction
21 thereof shall be impressed or printed thereon.

22 Only Bonds bearing a ~~((C))~~certificate of ~~((A))~~authentication in
23 substantially the following form (with the designation, year~~((s))~~ and ~~((series of~~
24 ~~the Bonds completed))~~Series adjusted consistent with this ordinance), manually

1 signed by the Bond Registrar, shall be valid or obligatory for any purpose or
2 entitled to the benefits of this ordinance: ~~((CERTIFICATE OF~~
3 ~~AUTHENTICATION))~~ “This Bond is one of the fully registered The City of
4 Seattle, Washington, [Water System Revenue Refunding ~~((Revenue))~~Bonds],
5 [Year], [Series], described in ~~((the Bond Ordinance.))~~[this ordinance.”
6 ~~((WASHINGTON STATE FISCAL AGENCY Bond Registrar By: Authorized~~
7 ~~Signer))~~ The authorized signing of a ~~((C))~~certificate of ~~((A))~~authentication shall
8 be conclusive evidence that the Bond so authenticated has been duly executed,
9 authenticated and delivered and is entitled to the benefits of this ordinance.

10 If any officer whose manual or facsimile signature appears on ~~((the))~~a
11 Bond~~((s))~~ ceases to be an officer of the City authorized to sign bonds before the
12 Bond~~((s))~~ bearing his or her manual or facsimile signature ~~((are))~~is authenticated
13 or delivered by the Bond Registrar or issued by the City, ~~((those))~~that Bond~~((s))~~
14 nevertheless may be authenticated, delivered and issued and, when
15 authenticated, issued and delivered, shall be as binding on the City as though
16 that person had continued to be an officer of the City authorized to sign bonds.
17 Any Bond also may be signed on behalf of the City by any person who, on the
18 actual date of signing of the Bond, is an officer of the City authorized to sign
19 bonds, although he or she did not hold the required office on the date of issuance
20 of the Bonds.

21 **Section 13. Amendment to Section 12 of the Ordinance.** Section 12 of Ordinance
22 121939 is deleted in its entirety:

23 ~~((Section 12. Bond Registrar. The Bond Registrar shall keep, or cause~~
24 ~~to be kept, at its principal corporate trust office, sufficient books for the~~

1 registration and transfer of the Bonds which shall at all times be open to
2 inspection by the City. The Bond Registrar is authorized, on behalf of the City,
3 to authenticate and deliver Bonds transferred or exchanged in accordance with
4 the provisions of the Bonds and this ordinance, to serve as the City's paying
5 agent for the Bonds and to carry out all of the Bond Registrar's powers and
6 duties under this ordinance and SMC Chapter 5.10 establishing a system of
7 registration for the City's bonds and obligations, as that chapter now exists or
8 may be amended. The City reserves the right in its discretion to appoint special
9 paying agents, registrars or trustees in connection with the payment of some or
10 all of the principal of or interest on the Bonds. If a new Bond Registrar is
11 appointed by the City, notice of the name and address of the new Bond Registrar
12 shall be mailed to the Registered Owners of the Bonds. The notice may be
13 mailed together with the next interest payment due on the Bonds, but, to the
14 extent practicable, shall be mailed not less than 15 days prior to a maturity date
15 of the principal or a mandatory redemption date of any Bond. The Bond
16 Registrar shall be responsible for its representations contained in the Bond
17 Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may
18 become the Registered Owner of Bonds with the same rights it would have if it
19 were not the Bond Registrar and, to the extent permitted by law, may act as
20 depository for and permit any of its officers or directors to act as members of, or
21 in any other capacity with respect to, any committee formed to protect the rights
22 of the Registered Owners of the Bonds.))

23 **Section 14. Amendment to Section 13 of the Ordinance.** Section 13 of Ordinance
24 121939 is renumbered as Section 16 and is amended and restated as follows:

1 **Section ~~((13))16. Parity Bond Account.~~ ~~((Ordinance 116705~~
2 ~~created the Water Revenue))~~The Parity Bond Account ~~((the "Bond Account")~~
3 ~~in the Water Fund and further))~~is divided ~~((the Bond Account--))~~into two
4 subaccounts: the Principal and Interest Subaccount and the Reserve Subaccount.
5 The Director of Finance may create sinking fund subaccounts or other
6 subaccounts in the Parity Bond Account for the payment or securing the
7 payment of Parity Bonds, as long as the maintenance of such accounts does not
8 conflict with the rights of the Owners of Parity Bonds.**

9 **(a) Required Payments Into Parity Bond Account.** So long as any
10 Parity Bonds are outstanding, the City shall set aside and pay into the Parity
11 Bond Account all ULID Assessments on their collection ~~((except for ULID~~
12 Assessments deposited in a construction account))) and, out of the Net Revenue,
13 certain fixed amounts without regard to any fixed proportion, namely:

14 ~~((a))i~~ Into the Principal and Interest Subaccount ~~((i))A~~ upon receipt
15 thereof, the accrued interest, if any, received by the City from the
16 ~~((purchaser of the Bonds))~~Purchaser, and ~~((ii))B~~ on or before
17 each interest or principal and interest payment date of any Parity
18 Bonds ~~((at least))~~ an amount which, together with other money
19 on deposit therein, will be sufficient to pay the interest, or
20 principal and interest and Sinking Fund Requirements, to become
21 due and payable on the Parity Bonds on that payment date,
22 ~~((including any Parity Bonds subject to mandatory redemption on~~
23 ~~that date,--))~~and net payments due on Parity Payment Agreements;
24 and

25 ~~((b))ii~~ Into the Reserve Subaccount ~~((, in approximately equal~~
26 annual payments, amounts)) an amount necessary to ~~((fund the~~
27 Reserve Requirement within five years from the date of issuance
of such Parity Bonds after taking into account the capitalization
of all or any part of the Reserve Requirement))provide for the
Reserve Requirement for the Parity Bonds within the time and in

1 the manner required by this ordinance and the Parity Bond
2 Legislation. The amount necessary to satisfy the Reserve
3 Requirement upon the issuance of a Series may be funded (i) on
4 the Issue Date, by a deposit from the bond sale proceeds or a
5 Reserve Security, or (ii) in annual installments from Net Revenue
6 so that the Reserve Requirement is fully funded by the fifth
7 anniversary of the Issue Date. The manner of funding the Reserve
8 Requirement for the Bonds shall be set forth in the Bond
9 Resolution. For the purpose of determining the amount credited
10 to the Reserve Subaccount, obligations in which money in the
11 Reserve Subaccount has been invested shall be valued at the
12 greater of cost or accreted value.

13 The City may provide all or any part of the Reserve Requirement
14 through a Reserve ((Insurance, and))Security, subject to the
15 following: (A) the amount available to be drawn upon under
16 ((that))a Reserve ((Insurance))Security shall be credited against
17 the Reserve Requirement((, subject to the following:))((The
18 Reserve Insurance shall not be cancelable on less than three
19 years' notice. On); and (B) on receipt of a notice of cancellation
20 of any Reserve ((Insurance or upon notice that the entity
21 providing the Reserve Insurance no longer meets the
22 requirements specified herein))Security, the City shall either (1)
23 substitute a Reserve ((Insurance))Security in the amount required
24 to make up the deficiency created in the Reserve Subaccount, or
25 ((in the alternative shall))(2) create a special account in the Water
26 Fund and deposit therein, on or before the 25th day of each of the
27 36 succeeding calendar months (commencing with the 25th day
 of the calendar month next following the date of the notice)
 1/36th of the amount sufficient, together with other money and
 investments on deposit in the Reserve Subaccount, to equal the
 Reserve Requirement in effect as of the date the cancellation ((or
 disqualification of the entity becomes effective. The required
 amounts shall be deposited in that special account from money in
 the Water Fund after making provision for payment of Operation
 and Maintenance Expenses and for required payments into the
 Bond Account))becomes effective. Amounts on deposit in that
 special account shall not be available to pay debt service on
 Parity Bonds or for any other purpose of the City, and shall be
 transferred to the Reserve Subaccount on the effective date of any
 cancellation of a Reserve ((Insurance))Security to make up all or

1 part of the deficiency caused thereby. Amounts in that special
2 account or in the Reserve Subaccount may be transferred back to
3 the Water Fund and used for any purpose if and when
4 ~~((qualifying))~~ a substitute Reserve ~~((Insurance))~~ Security is
5 obtained.

6 The Director of Finance may transfer any money from any funds or accounts of
7 the City legally available therefor, except bond redemption funds, refunding
8 escrow funds or defeasance funds, to meet the required payments to be made
9 into the Parity Bond Account. The Director of Finance may provide for the
10 purchase, redemption or defeasance of any Parity Bonds by the use of money on
11 deposit in any subaccount in the Parity Bond Account as long as the money
12 remaining in those subaccounts is sufficient to satisfy the required deposits in
13 those subaccounts for the remaining Parity Bonds.

14 **(b) Reserve Subaccount.** ~~((Except for withdrawals therefrom and~~
15 ~~payments over time as authorized herein, the Reserve Subaccount shall be~~
16 ~~maintained))~~ The City covenants that it will at all times so long as any Parity
17 Bonds are outstanding, maintain the Reserve Subaccount at the Reserve
18 Requirement (taking into account scheduled payments to fund the Reserve
19 Requirement over time), as it is adjusted from time to time, ((at all times so long
20 as any Parity Bonds are outstanding. For the purpose of determining the amount
21 credited to the Reserve Subaccount, obligations in which money in the Reserve
22 Subaccount has been invested shall be valued at the greater of cost or accreted
23 value.)) except for withdrawals as authorized by this ordinance. The Director of
24 Finance may make withdrawals of cash from the Reserve Subaccount in the
25 event of ((In the event that there shall be--)) a deficiency in the Principal and
26 Interest Subaccount to meet maturing installments of either principal (or Sinking
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1 Fund Requirements) or interest(~~((or mandatory redemption requirements, as the~~
2 ~~ease may be, that deficiency shall be made up from the Reserve Subaccount by~~
3 ~~the withdrawal of cash therefrom for that purpose))). Any deficiency created in~~
4 the Reserve Subaccount by reason of any such withdrawal shall, within 12
5 months, be made up from ULID Assessments and Net Revenue available after
6 making necessary provisions for the required payments into the Principal and
7 Interest Subaccount. The money in the Reserve Subaccount may be applied to
8 the payment of the last outstanding (~~(bonds payable out of the Bond Account,~~
9 ~~except that any money))Parity Bonds, and when the total amount in the Parity~~
10 Bond Account (including investment earnings) equals the total amount of
11 principal and interest for all then-outstanding Parity Bonds to the last maturity
12 thereof, no further payment need be made into the Parity Bond Account. Money
13 in the Reserve Subaccount (including investment earnings) in excess of the
14 Reserve Requirement may be withdrawn and deposited in the Principal and
15 Interest Subaccount and spent for the purpose of retiring Parity Bonds or may be
16 deposited in any other fund or account and spent for any other lawful Municipal
17 Water System purpose. (~~(When the total amount in the Bond Account~~
18 ~~(including investment earnings) shall equal the total amount of principal and~~
19 ~~interest for all Parity Bonds to the last maturity thereof, no further payment need~~
20 ~~be made into the Bond Account.))~~)

21 (~~(The City may provide for the purchase, redemption or defeasance of~~
22 ~~any Parity Bonds by the use of money on deposit in any subaccount in the Bond~~
23 ~~Account as long as the money remaining in those subaccounts is sufficient to~~

1 satisfy the required deposits in those subaccounts for the remaining Parity
2 Bonds.))

3 **(c) Investment of Money in Parity Bond Account.** All money in
4 the Parity Bond Account may be kept in cash or invested in ~~((legal investments~~
5 ~~maturing, for investments in the Principal and Interest Subaccount,))~~Permitted
6 Investments maturing not later than the ~~((dates when the funds are required for~~
7 ~~the payment of principal of))~~date when needed (for investments in the Principal
8 and Interest Subaccount) or the last maturity of any outstanding Parity Bonds
9 (for investments in the Reserve Subaccount). In no event shall any money in the
10 Parity Bond Account or any other money reasonably expected to be used to pay
11 principal and/or interest on the Parity Bonds be invested at a yield which would
12 cause any Series issued as Tax-Exempt Bonds or Tax Credit Subsidy Bonds to
13 be arbitrage bonds within the meaning of Section 148 of the Code. Income from
14 investments in the Principal and Interest Subaccount shall be deposited in that
15 subaccount. ((and, for investments in the Reserve Subaccount, maturing (or
16 subject to redemption, or repurchase and redemption, at the option of the City)
17 on a date not later than 15 years from the date of investment.))

18 ~~((Earnings from investments in the Principal and Interest Subaccount~~
19 ~~shall be deposited in that account. Earnings from investments in the Reserve~~
20 ~~Subaccount shall be deposited in that account.))~~Income from investments in the
21 Reserve Subaccount shall be deposited in that subaccount until the amount
22 therein is equal to the Reserve Requirement for all Parity Bonds, and thereafter
23 shall be deposited in the Principal and Interest Subaccount. Notwithstanding the
24 provisions for ((the--))deposit or retention of earnings in the Parity Bond

1 Account, any earnings ~~((that))~~which are subject to a federal ~~((arbitrage))~~tax or
2 rebate requirement~~((s))~~ may be withdrawn from the Parity Bond Account for
3 deposit ~~((into))~~in a separate fund or account ~~((created--))~~for ~~((the purpose of~~
4 ~~compliance with those rebate requirements))~~that purpose. If no longer required
5 for such rebate, money in that separate fund or account shall be returned to the
6 Parity Bond Account.~~((The City may create sinking fund accounts or other~~
7 ~~accounts in the Bond Account for the payment or securing the payment of Parity~~
8 ~~Bonds as long as the maintenance of such accounts does not conflict with the~~
9 ~~rights of the owners of such Parity Bonds.))~~

10 **(d) Failure to Deposit Money in Parity Bond Account.** If the City
11 fails to set aside and pay into the Parity Bond Account, or the subaccounts
12 therein, the amounts set forth above, the registered owner of any of the
13 outstanding Parity Bonds may bring action against the City for failure to make
14 the required deposits to the Parity Bond Account only in accordance with
15 Section 26 regarding Events of Default.

16 **Section 15. Amendment to Section 14 of the Ordinance.** Section 14 of Ordinance
17 121939 is renumbered as Section 19 and is amended and restated as follows:

18 **Section ((14))19. Rate Stabilization Account.** The Rate
19 Stabilization Account has been created as a separate account in the Water
20 Fund. The City may at any time, as determined by the ~~((City and as consistent~~
21 ~~with Section 18 of this ordinance))~~Director of Finance, deposit in the Rate
22 Stabilization Account, Gross Revenue and any other money received by the
23 Municipal Water System and available ~~((to be used therefor. The City~~
24 ~~may))~~for this purpose, consistent with Section 15. The Director of Finance

1 may, upon authorization by resolution of the City Council, withdraw any or
2 all of the money from the Rate Stabilization Account for inclusion in the
3 Adjusted Gross Revenue for any fiscal year(~~(-of the City)~~). Such deposits or
4 withdrawals may be made up to and including the date 90 days after the end of
5 the fiscal year for which the deposit or withdrawal will be included as
6 Adjusted Gross Revenue. No deposit of Gross Revenue (~~(shall)~~)may be made
7 into the Rate Stabilization Account to the extent that such deposit would
8 prevent the City from meeting the Coverage Requirement in the relevant fiscal
9 year.

10 **Section 16. Amendment to Section 15 of the Ordinance.** Section 15 of Ordinance
11 121939 is deleted in its entirety:

12 ~~((Section 15. Finding as to Sufficiency of Gross Revenue. A series of~~
13 ~~Bonds will be issued only if the City Council finds and determines by the Bond~~
14 ~~Resolution (i) that the Gross Revenue and benefits to be derived from the~~
15 ~~operation and maintenance of the Municipal Water System of the City at the~~
16 ~~rates to be charged from time to time for water and other services and~~
17 ~~commodities from the Municipal Water System consistent with Section 17(b)~~
18 ~~hereof, will be sufficient to meet all Operation and Maintenance Expenses and~~
19 ~~to permit the setting aside into the Bond Account out of the Gross Revenue of~~
20 ~~amounts sufficient to pay the principal of and interest on the Bonds and any~~
21 ~~mandatory redemption requirements when due, and (ii) that in fixing the~~
22 ~~amounts to be paid into the Bond Account the City has exercised due regard for~~
23 ~~Operation and Maintenance Expenses, and has not bound and obligated itself to~~
24 ~~set aside and pay into the Bond Account a greater amount or proportion of the~~

1 ~~Gross Revenue than in the judgment of the City will be available over and above~~
2 ~~the Operation and Maintenance Expenses.))~~

3 **Section 17. Amendment to Section 16 of the Ordinance.** Section 16 of Ordinance
4 121939 is renumbered as Section 14 and is amended and restated as follows:

5 **Section ~~((16))14. ~~((Pledge of Net Revenue and Lien Position))~~~~**
6 **Security for the Bonds; Parity with other Bonds.** The Bonds shall be special
7 limited obligations of the City payable from and secured solely by the Net
8 Revenue~~((of the Municipal Water System))~~ and ULID Assessments, and by
9 all)) money ~~((and investments held))~~in the Parity Bond Account and the ~~((Rate~~
10 Stabilization Account))subaccounts therein. The Net Revenue and all ULID
11 Assessments, and all money and investments held in the Parity Bond Account,
12 the Rate Stabilization Account and the Construction Account (except money and
13 investments held in a separate fund or account created for the purpose of
14 compliance with rebate requirements under the Code), ~~((is))~~are pledged to the
15 payment of the Parity Bonds and to make payments into the Reserve Subaccount
16 required by this ordinance~~((, the Bond Resolution and Parity Bond Authorizing~~
17 Ordinances,)) and the Parity Bond Legislation~~((and this))~~ This pledge shall
18 constitute a ~~((lien and charge))~~charge and lien upon the Net Revenue prior and
19 superior to any other charges whatsoever.

20 The Bonds shall be on a parity with the Outstanding Parity Bonds and all
21 Future Parity Bonds, without regard to date of issuance or authorization and
22 without preference or priority of right or lien. Nothing in this ordinance prevents
23 the City from issuing revenue bonds or other obligations which are a charge or

1 lien upon the Net Revenues subordinate to the payments required to be made
2 from Net Revenue into the Parity Bond Account and the subaccounts therein.

3 The Bonds shall not constitute general obligations of the City, the State
4 or any political subdivision of the State or a charge upon any general fund or
5 upon any money or other property of the City, the State or any political
6 subdivision of the State not specifically pledged by this ordinance.

7 **Section 18. Amendment to Section 17 of the Ordinance.** Section 17 of Ordinance
8 121939 is amended and restated as follows:

9 **Section 17. Parity Bond Covenants.** The City covenants (~~and~~
10 agrees)) with the owner of each Bond at any time outstanding, as follows:

11 **(a) Operation and Maintenance.** It will pay all Operating and
12 Maintenance Expense and otherwise meet the obligations of the City under this
13 ordinance. It will at all times maintain, preserve and keep(~~the properties of~~)
14 the Municipal Water System in good repair, working order and condition, will
15 make all necessary and proper additions, betterments, renewals and repairs
16 thereto, and improvements, replacements and extensions thereof so that at all
17 times the business carried on in connection therewith will be properly and
18 advantageously conducted, and will at all times operate or cause to be operated
19 the properties of the Municipal Water System and the business in connection
20 therewith in an efficient manner and at a reasonable cost.

21 **(b) Establishment and Collection of Rates and Charges.** It will
22 establish, maintain, revise as necessary, and collect rates and charges for
23 services and facilities provided by the Municipal Water System which will be
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1 fair and equitable, and will adjust those rates and charges from time to time so
2 that:

3 ~~((1))~~i) The Gross Revenue will be sufficient to ~~((1))~~A) pay all
4 Operati~~((1))~~ng and Maintenance Expense~~((s))~~, ~~((2))~~B) pay when
5 due all amounts that the City is obligated to pay into the Parity
6 Bond Account and the subaccounts therein, and ~~((3))~~C) pay all
7 taxes, assessments or other governmental charges lawfully
8 imposed on the Municipal Water System or the revenue
therefrom or payments in lieu thereof and any and all other
amounts which the City may now or hereafter become obligated
to pay from the Gross Revenue by law or contract; and

9 ~~((2))~~ii) The Adjusted Net Revenue ~~((of the Municipal Water~~
10 ~~System))~~in each fiscal year will be at least equal to the Coverage
Requirement; and

11 ~~((3))~~iii) Except to aid the poor or infirm and for fire~~((--))~~-fighting
12 purposes, it will not furnish or supply or permit the furnishing or
13 supplying of any service or facility in connection with the
14 operation of the Municipal Water System free of charge to any
person, firm or corporation, public or private.

15 The failure of the City to comply with subparagraphs ~~((1))~~i) and ~~((2))~~ of this
16 paragraph ~~((b))~~ii) above shall not be an Event of Default if the City promptly
17 retains an Independent ~~((Consulting Engineer))~~Utility Consultant to recommend
18 to the City Council adjustments in the rates of the Municipal Water System
19 necessary to meet the requirements of those subparagraphs and if the City
20 Council adopts the recommended modifications within 180 days of the date the
21 failure became known to the City Council.

22 **(c) Sale~~((--Transfer))~~ or Disposition of the Municipal Water**
23 **System.** It will sell, transfer or otherwise dispose of any of the works, plant,
24 properties, facilities or other part of the Municipal Water System or any real or

1 personal property comprising a part of the Municipal Water System only upon
2 approval by ordinance and only consistent with one or more of the following:

3 ~~((1))~~i) The City in its discretion may carry out such a sale, transfer or
4 disposition (each, as used in this ~~((subparagraph))~~section, a
5 “transfer”) if the facilities or property transferred are not material
6 to the operation of the Municipal Water System, ~~((or shall))~~have
7 become unserviceable, inadequate, obsolete or unfit to be used in
8 the operation of the Municipal Water System, or are no longer
9 necessary, material or useful to the operation of the Municipal
10 Water System; or

11 ~~((2))~~ii) The City in its discretion may carry out such a transfer if
12 the aggregate depreciated cost value of the facilities or property
13 being transferred under this ~~((subparagraph (2))~~subsection in any
14 fiscal year comprises no more than ~~((three percent))~~3% of the
15 total assets of the Municipal Water System; or

16 ~~((3))~~iii) The City in its discretion may carry out such a transfer if
17 the City receives from the transferee an amount equal to the fair
18 market value of the portion of the Municipal Water System
19 transferred. As used in this subparagraph, “fair market value”
20 means the most probable price that a property should bring in a
21 competitive and open market under all conditions requisite to a
22 fair sale, the willing buyer and willing seller each acting
23 prudently and knowledgeably and assuming that the price is not
24 affected by coercion or undue stimulus. The proceeds of the
25 transfer shall be used (i) to promptly redeem, or irrevocably set
26 aside for the redemption of, Parity Bonds, and/or (ii) to provide
27 for part of the cost of additions to and betterments and extensions
of the Municipal Water System. Before any such transfer under
this ~~((subparagraph (3))~~subsection, the City must obtain a
certificate of an Independent ~~((Consulting Engineer))~~Utility
Consultant to the effect that in his or her professional opinion,
upon such transfer and the use of proceeds of the transfer as
proposed by the City, the remaining Municipal Water System
will retain its operational integrity and the Adjusted Net Revenue
of the Municipal Water System will be at least equal to the
Coverage Requirement during the five fiscal years following the
fiscal year in which the transfer is to occur, taking into account,

1 (((w))A) the reduction in revenue resulting from the transfer;
2 (((x))B) the use of any proceeds of the transfer for the redemption
3 of Parity Bonds, (((y))C) the Independent ((Consulting
4 Engineer))Utility Consultant's estimate of revenue from
5 customers anticipated to be served by any additions to and
6 betterments and extensions of the Municipal Water System
7 financed in part by the proposed portion of the proceeds of the
8 transfer, and (((z))D) any other adjustment permitted in the
9 preparation of a certificate under Section
10 (((19))18(((f))a)(((2))vi)(B)((-of this ordinance)). Before such a
11 transfer, the City also must obtain confirmation from each((-of
12 the)) Rating Agenc((ies))y to the effect that the rating then in
13 effect will not be reduced or withdrawn upon such transfer. The
14 amount required to be paid to the City may be reduced by any
15 "equity credits" or similar amounts based on prior capital
16 contributions or other payments to the City which, under any
17 contract between the City and the transferee, are allowed as a
18 setoff against the transfer price that would otherwise be payable
19 to the City.

20 ***Upon the redemption or defeasance of all ((~~then~~))outstanding ((1997***
21 ***Bonds, 1998 Bonds, 1999A Bonds, 1999B Bonds, 2001Bonds,-))2003 Bonds((;))***
22 ***and 2004 Bonds((;))***; the City may sell, transfer or otherwise dispose of any of
23 the works, plant, properties, facilities or other part of the Municipal Water
24 System or any real or personal property comprising a part of the Municipal
25 Water System only consistent with one or more of the following:

26 (((1))i) The City in its discretion may carry out such a sale, transfer or
27 disposition (each, a "transfer") if the facilities or property
28 transferred are not material to the operation of the Municipal
29 Water System, or shall have become unserviceable, inadequate,
30 obsolete or unfit to be used in the operation of the Municipal
31 Water System or are no longer necessary, material or useful to
32 the operation of the Municipal Water System; or

33 (((2))ii) The City in its discretion may carry out such a transfer if
34 the aggregate depreciated cost value of the facilities or property
35 being transferred under this ((subparagraph (2)))subsection in

any fiscal year comprises no more than ~~((five percent (5%))~~5%~~((A))~~
of the total assets of the Municipal Water System; or

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~~((3))~~iii) The City in its discretion may carry out such a transfer if the proceeds from such transfer are used to acquire new useful operating facilities or properties of the Municipal Water System, or are used to retire outstanding Parity Bonds or other revenue obligations of the Municipal Water System, if, at the time of such transfer, the City has on file~~((a))~~ a certificate of both the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the responsibilities of either office) demonstrating that in their opinion, upon such transfer and the use of proceeds of the transfer as proposed by the City, the remaining facilities of the Municipal Water System will retain their operational integrity and, based on the financial statements for the most recent fiscal year available, the proposed transfer would not prevent the Municipal Water System from complying with the Coverage Requirement during the five fiscal years following the fiscal year in which the transfer is to occur. The certificate shall take into account, (A) the reduction in revenue and expenses, if any, resulting from the transfer; (B) the use of any proceeds of the transfer for the redemption of Parity Bonds, (C) the estimate of revenue from customers anticipated to be served by any additions to and betterments and extensions of the Municipal Water System financed in part by the proposed portion of the proceeds of the transfer, and (D) any other adjustment permitted in the preparation of a certificate under Section ~~((19(f)(2) of this ordinance))~~18(a)(vi)(B). Before such a transfer, the City also must obtain confirmation from each of the Rating Agencies to the effect that the rating then in effect will not be reduced or withdrawn upon such transfer.

(d) **Liens Upon the Municipal Water System.** Except as otherwise provided in this ordinance, it will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the Gross Revenue or any part thereof, prior or superior to the lien thereon for the payment of the Parity Bonds, and will pay and discharge, or cause to be paid and discharged,

1 any and all lawful claims for labor, materials or supplies which, if unpaid, might
2 become a lien or charge upon the Gross Revenue or any part thereof, prior or
3 superior to, or on a parity with, the lien of the Parity Bonds, or which might
4 impair the security of the Parity Bonds.

5 (e) **Books and ((Accounts))Records.** It will keep proper books,
6 records and accounts with respect to the operations, income and expenditures of
7 the Municipal Water System in accordance with generally accepted accounting
8 practices relating to the municipal utilities and any applicable rules and
9 regulations prescribed by the State, and will cause those books, records and
10 accounts to be audited on an annual basis by the State Auditor (or, if such audit
11 is not made by the State Auditor within 270 days after the close of any fiscal
12 year of the City, by a certified public accountant selected by the City). It will
13 prepare annual financial and operating statements as soon as practicable after the
14 close of each fiscal year showing in reasonable detail the financial condition of
15 the Municipal Water System as of the close of the previous year, and the income
16 and expenses for such year, including the amounts paid into the Parity Bond
17 Account and into any and all special funds or accounts created pursuant to the
18 provisions of this ordinance, the status of all funds and accounts as of the end of
19 such year, and the amounts expended for maintenance, renewals, replacements
20 and capital additions to the Municipal Water System. Such statements shall be
21 sent to the owner of any Parity Bond((s)) upon written request ((~~therefor being~~
22 ~~made to~~))received by the City. The City may charge a reasonable cost for
23 providing such financial statements.

1 **(f) Collection of Delinquent Accounts.** On at least an annual basis,
2 it will determine all accounts that are delinquent and will take such actions as
3 the City determines are reasonably necessary to enforce payment of those
4 delinquent accounts.

5 **(g) Maintenance of Insurance.** It at all times will carry fire and
6 extended coverage, public liability and property damage and such other forms of
7 insurance with responsible insurers and with policies payable to the City on such
8 of the buildings, equipment, works, plants, facilities and properties of the
9 Municipal Water System as are ordinarily carried by municipal or privately
10 owned utilities engaged in the operation of like systems, and against such claims
11 for damages as are ordinarily carried by municipal or privately owned utilities
12 engaged in the operation of like systems, or it will self((-))-insure or will
13 participate in an insurance pool or pools with reserves adequate, in the
14 reasonable judgment of the City, to protect the Municipal Water System and the
15 ((e))Owners of the Parity Bonds against loss.

16 **(h) Condemnation Awards and Insurance Proceeds.** If the City
17 receives any condemnation awards or proceeds of an insurance policy in
18 connection with any loss of or damage to any property of the Municipal Water
19 System, it shall apply the condemnation award or insurance proceeds, in the
20 City's sole discretion, either (i) to the cost of replacing or repairing the lost or
21 damaged properties, (ii) to the payment, purchase or redemption of Parity
22 Bonds, or (iii) to the cost of improvements to the Municipal Water System.

1 **Section 19. Amendment to Section 18 of the Ordinance.** Section 18 of Ordinance
2 121939 is renumbered as Section 15 and is amended and restated as follows:

3 **Section ~~((18))15. Priority Expenditure of Gross Revenue; Flow~~**
4 **of Funds.** ~~((All ULID Assessments shall be paid into the Bond Account as~~
5 ~~provided by this ordinance.))~~The Gross Revenue ~~((of the Municipal Water~~
6 ~~System))~~shall be used for the following purposes only and shall be applied in
7 the following order of priority:

8 (a) To pay the ~~((Operation))~~Operating and Maintenance
9 Expense~~((s))~~;

10 (b) To pay interest on Parity Bonds and net payments on Parity
11 Payment Agreements when due;

12 (c) To pay the principal of Parity Bonds as it comes due at
13 maturity or ~~((as the principal is required to be paid pursuant to mandatory~~
14 ~~redemption requirements applicable to Term Bonds))~~to meet Sinking Fund
15 Requirements, and to make payments due under any~~((reimbursement))~~
16 agreement with a ~~((Bond Insurer))~~provider of a Reserve Security which
17 agreement requires those payments to be treated on a parity of lien with the
18 Parity Bonds;

19 (d) To make all payments required to be made into the Reserve
20 Subaccount, to make all payments required to be made under any agreement
21 ~~((relating to the provision of))~~with a provider of a Reserve ~~((Insurance, and~~
22 ~~payments due under any reimbursement agreement with a Bond~~
23 ~~Insurer))~~Security, which agreement requires those payments to be treated on
24 a parity of lien with the payments required to be made into the Reserve

1 Subaccount, and to make the deposits required to be made into a special
2 account in the Water Fund upon the expiration of a Reserve Security, in
3 accordance with Section 16(a)(ii);

4 (e) To make all payments required to be made into any revenue
5 bond, note, warrant or other revenue obligation redemption fund, debt service
6 account or reserve account created to pay or secure the payment of the
7 principal of and interest on any revenue bonds, notes, warrants or other
8 obligations of the City having a lien upon the revenue of the Municipal Water
9 System(~~((junior and inferior))~~) subordinate to the lien thereon for the
10 payment of the principal of and interest on the Parity Bonds; and

11 (f) To retire by redemption or purchase(~~((in the open market))~~) any
12 outstanding revenue bonds or other revenue obligations of the Municipal Water
13 System(~~((;))~~); to make necessary additional betterments, improvements and
14 repairs to or extensions and replacements of the Municipal Water System(~~((;))~~);
15 to pay City taxes or other payments in lieu of taxes payable from Gross
16 Revenue; to make deposits into the Rate Stabilization Account(~~((;))~~); or for any
17 other lawful Municipal Water System purposes.

18 (~~((The City may transfer any money from any funds or accounts of the~~
19 Municipal Water System legally available therefor, except bond redemption
20 funds, refunding escrow funds or defeasance funds, to meet the required
21 payments to be made into the Bond Account.)))

22 **Section 20. Amendment to Section 19 of the Ordinance.** Section 19 of Ordinance
23 121939 is renumbered as Section 18 and is amended and restated as follows:

24 **Section ~~((19))~~18. ((~~Provisions for~~)Future Parity Bonds.**

1 (a) The City reserves the right to issue Future Parity Bonds and to
2 enter into Parity Payment Agreements for purposes of the Municipal Water
3 System or to refund a portion of the Parity Bonds if the following conditions are
4 met and complied with at the time of the issuance of those Future Parity Bonds
5 or entering into the Parity Payment Agreement:

6 ((a))i) There ~~((shall))~~ must be no deficiency in the Parity Bond Account
7 and no Event of Default with respect to any Parity Bonds shall
8 have occurred and be continuing.

9 ((b))ii) The Future Parity Bond ~~((Authorizing Ordinance shall
10 provide that all assessments and interest thereon that may be
11 levied in any ULID created for the purpose of paying, in whole or
12 in part, the principal of and interest on those Future Parity
13 Bonds,))~~ Legislation must provide that all ULID Assessments
shall be paid directly into the Parity Bond Account ~~((, except for
14 any prepaid assessments permitted by law to be paid into a
15 construction fund or account)).~~

16 ((e))iii) The Future Parity Bond ~~((Authorizing Ordinance
17 shall))~~ Legislation must provide for the payment of the principal
18 thereof and interest thereon out of the Parity Bond Account.

19 ((d))iv) The Future Parity Bond ~~((Authorizing Ordinance
20 shall))~~ Legislation must provide for the payment of ~~((amounts into
21 the Bond Account to meet mandatory redemption requirements
22 applicable to any Term Bonds to be issued and for regular
23 payments to be made for the payment of the principal of such
24 Term Bonds on or before their maturity, or, as an alternative, the
25 mandatory redemption of those Term Bonds prior to their
26 maturity date))~~ any Sinking Fund Requirements from money in
27 the Principal and Interest Subaccount.

 ((e))v) The Future Parity Bond ~~((Authorizing Ordinance
shall))~~ Legislation must provide for the deposit into the Reserve
Subaccount of ~~((i))~~ A an amount, if any, necessary to fund the
Reserve Requirement upon the issuance of those Future Parity
Bonds from Future Parity Bond proceeds or other money legally

1 available((;)); (B) one or ~~((ii))~~ more Reserve
2 ~~((Insurance))~~ Securities or an amount plus Reserve
3 ~~((Insurance))~~ Securities necessary to fund the Reserve
4 Requirement upon the issuance of those Future Parity Bonds, or
5 ~~((iii))~~ C amounts necessary to fund the Reserve Requirement
6 from ULID Assessments and ~~((Adjusted))~~ Net Revenue within
7 five years from the date of issuance of those Future Parity Bonds,
8 in five approximately equal annual payments.

9 ~~((f))~~ vi) There shall be on file with the City either:

10 ~~((1))~~ A) ~~((a))~~ A certificate of the Director of Finance
11 demonstrating that during any ~~((twelve))~~ 12 consecutive
12 calendar months out of the immediately preceding 24
13 calendar months Adjusted Net Revenue was at least equal
14 to the Coverage Requirement for all Parity Bonds plus the
15 Future Parity Bonds proposed to be issued (and assuming
16 that the debt service of the proposed Future Parity Bonds
17 for that ~~((twelve-))~~ 12 month period was the Average
18 Annual Debt Service for those proposed bonds); or

19 ~~((2))~~ B) ~~((a))~~ A certificate of ~~((both))~~ the Director of
20 Finance and the Director of Seattle Public Utilities ~~((who
21 has succeeded to substantially all of the responsibilities of
22 the Superintendent of the Municipal Water System),))~~ or
23 any officer who succeeds to substantially all of the
24 responsibilities of ~~((either))~~ that office), that in their
25 opinion ~~((the))~~ 2 Adjusted Net Revenue for the five fiscal
26 years next following the earlier of ~~((A))~~ 1 the end of the
27 period during which interest on those Future Parity Bonds
is to be capitalized or, if no interest is capitalized, the
fiscal year in which the Future Parity Bonds are issued, or
~~((B))~~ 2 the date on which substantially all new facilities
financed with those Future Parity Bonds are expected to
commence operations, such Adjusted Net Revenue further
adjusted as provided in paragraphs ~~((i))~~ 1 through
~~((iv))~~ 4 below, will be at least equal to the Coverage
Requirement. That certificate may take into account the
following adjustments:

1 (((i))1) Any changes in rates in effect and being charged,
2 or rates expected to be charged in accordance with
3 a program of specific rates, rate levels or increases
4 in overall rate revenue approved by ordinance or
5 resolution;

6 (((ii))2) Net revenue from customers of the
7 Municipal Water System who have become
8 customers during the 12 consecutive month period
9 or thereafter, and their estimate of net revenue
10 from any customers to be connected to the
11 Municipal Water System who have paid the
12 required connection charges, adjusted to reflect
13 one year's net revenue from those customers;

14 (((iii))3) Their estimate of net revenue from
15 customers anticipated to be served by facilities or
16 improvements financed in substantial part by those
17 Future Parity Bonds (or additional Parity Bonds
18 expected to be issued during the five((-))year
19 period); and

20 (((iv))4) Net revenue from any person, firm,
21 corporation or municipal corporation under any
22 executed contract for water or other utility service,
23 which revenue was not included in the historical
24 Net Revenue of the Municipal Water System.

25 If the Future Parity Bonds proposed to be issued are for
26 the sole purpose of refunding Parity Bonds, no such
27 coverage certification shall be required if the Adjusted
28 Annual Debt Service on the Parity Bonds after the
29 issuance of the Future Parity Bonds is not, for any year in
30 which the Parity Bonds being refunded were outstanding,
31 more than \$5,000 over the Adjusted Annual Debt Service
32 on the Parity Bonds prior to the issuance of those Future
33 Parity Bonds.

34 (b) Nothing contained herein shall prevent the City from issuing
35 Future Parity Bonds to refund maturing Parity Bonds, money for the payment of

1 which is not otherwise available, or revenue bonds that are a charge or lien upon
2 the Gross Revenue subordinate to the charge or lien of the Parity Bonds, or from
3 pledging the payment of ULID assessments into a bond redemption fund created
4 for the payment of the principal of and interest on those ~~((junior))~~ subordinate
5 lien bonds as long as such ULID assessments are levied for improvements
6 constructed from the proceeds of those ~~((junior))~~ subordinate lien bonds.

7 **Section 21. Amendment to Section 20 of the Ordinance.** Section 20 of Ordinance
8 121939 is renumbered as Section 11 and is amended and restated as follows:

9 **Section ~~((20))~~ 11. ~~((Reimbursement Obligations))~~ Deposit and Use**
10 **of Proceeds.** ~~((If the City elects to meet the Reserve Requirement or any~~
11 ~~portion thereof through the use of Reserve Insurance or elects to secure any~~
12 ~~issue of Parity Bonds through the use of Bond Insurance, the City may contract~~
13 ~~with the entity providing such Reserve Insurance or Bond Insurance to the effect~~
14 ~~that the City's reimbursement obligation, if any, to such entity ranks on a parity~~
15 ~~of lien with the Parity Bonds.))~~ Unless provided otherwise in the Bond
16 Resolution, the principal proceeds and premium, if any received from the sale of
17 each Series, in the amount necessary to carry out the Refunding Plan (including
18 payment of costs of issuance and administrative costs of carrying out the
19 refunding) approved in connection with such Series, shall be deposited with the
20 Refunding Trustee and used in accordance with the provisions of Section 12 to
21 discharge the obligations of the City relating to the Refunded Bonds.

22 To the extent not necessary to carry out the Refunding Plan, excess
23 proceeds received from the sale of a Series (including interest earnings thereon)
24 shall be deposited into such funds, subfunds, accounts and subaccounts as the

1 Director of Finance shall determine, consistent with the Bond Resolution. The
2 Director of Finance may apply any amounts remaining after the costs of
3 issuance and the administrative costs of the Refunding Plan have been paid (or
4 after the City Council has determined that the expenditure of such amounts for
5 those purposes is no longer necessary or appropriate) to pay principal of and
6 interest on that Series or for any other purposes approved by ordinance or by the
7 Bond Resolution.

8 **Section 22. Amendment to Section 21 of the Ordinance.** Section 21 of Ordinance
9 121939 is renumbered as Section 20 and is amended and restated as follows:

10 **Section ~~((21))~~20. Separate Utility Systems.** The City may create,
11 acquire, construct, finance, own and operate one or more additional systems for
12 water supply, transmission or other commodity or service relating to the
13 Municipal Water System. The revenue of that separate utility system shall not
14 be included in the Gross Revenue of the Municipal Water System and may be
15 pledged to the payment of revenue obligations issued to purchase, construct,
16 condemn or otherwise acquire or expand the separate utility system. Neither the
17 Gross Revenue nor the Net Revenue ~~((of the Municipal Water System))~~ shall be
18 pledged by the City to the payment of any obligations of a separate utility
19 system except ~~(((1))a)~~ as a Contract Resource Obligation ~~((upon compliance~~
20 ~~with Section 22 hereof and/or (2)), or (b)~~ with respect to the Net Revenue, on a
21 basis subordinate to the lien of the Parity Bonds on that Net Revenue.

1 **Section 23. Amendment to Section 22 of the Ordinance.** Section 22 of Ordinance
2 121939 is renumbered as Section 21 and is amended and restated as follows:

3 **Section ~~((22))21. Contract Resource Obligations.~~** The City may
4 at any time enter into one or more Contract Resource Obligations for the
5 acquisition, from facilities to be constructed, of water supply, transmission or
6 other commodity or service relating to the Municipal Water System~~((:))~~, as
7 follows:

8 (a) The City may determine that, and may agree under a Contract
9 Resource Obligation to provide that, all payments under that Contract Resource
10 Obligation (including payments prior to the time that water supply or
11 transmission or other commodity or service is being provided, or during a
12 suspension or after termination of supply or service) shall be ~~((Operation))~~an
13 Operating and Maintenance Expense~~((s))~~ if the following requirements are met
14 at the time such a Contract Resource Obligation is entered into:

15 ~~((a))~~i) No Event of Default has occurred and is continuing~~((:))~~; and

16 ~~((b))~~ii) There shall be on file a certificate of an Independent
17 ~~((Consulting Engineer))~~Utility Consultant stating that ~~((i))~~A) the
18 payments to be made by the City in connection with the Contract
19 Resource Obligation are reasonable for the supply or
20 transmission rendered; ~~((ii))~~B) the source of any new supply,
21 and any facilities to be constructed to provide the supply or
22 transmission, are sound from a water or other commodity supply
23 or transmission planning standpoint, are technically and
24 economically feasible in accordance with prudent utility practice,
25 and are likely to provide supply or transmission no later than a
26 date set forth in the Independent ~~((Consulting Engineer))~~Utility
27 Consultant's certification; and ~~((iii))~~C) the Adjusted Net
Revenue (further adjusted by the Independent ~~((Consulting~~
Engineer))Utility Consultant's estimate of the payments to be

1 made in accordance with the Contract Resource Obligation) for
2 the five fiscal years following the year in which the Contract
3 Resource Obligation is incurred, as such Adjusted Net Revenue is
4 estimated by the Independent ~~((Consulting Engineer))~~ Utility
5 Consultant in accordance with the provisions of and adjustments
6 permitted in Section ~~((19))18~~ ~~((f))a~~ ~~((2))vi~~ ~~(B)~~ ~~((of this~~
7 ~~ordinance))~~, will be at least equal to the Coverage Requirement.

8 (b) Payments required to be made under Contract Resource
9 Obligations shall not be subject to acceleration.

10 (c) Nothing in this ~~((S))~~ section shall be deemed to prevent the City
11 from entering into other agreements for the acquisition of water supply,
12 transmission or other commodity or service from existing facilities and from
13 treating those payments as ~~((Operation))~~ Operating and Maintenance
14 Expense~~((s))~~. Nothing in this ~~((S))~~ section shall be deemed to prevent the City
15 from entering into other agreements for the acquisition of water supply,
16 transmission or other commodity or service from facilities to be constructed and
17 from agreeing to make payments with respect thereto, such payments
18 constituting a ~~((lien and))~~ charge and lien on Net Revenue subordinate to that of
19 Parity Bonds.

20 **Section 24. Amendment to Section 23 of the Ordinance.** Section 23 of Ordinance
21 121939 is amended and restated as follows:

22 **Section 23. ~~((Preservation of Tax Exemption for Interest~~
23 ~~on))~~ Provisions Relating To Certain Federal Tax Consequences of the
24 Bonds.**

25 (a) **Tax-Exempt Bonds.** The City covenants that it will take all
26 actions consistent with the terms of ~~((the--))~~ any Series issued as Tax-Exempt
27 Bonds, this ordinance and the Bond Resolution, reasonably within its power and

1 necessary to prevent interest on ~~((the Bonds-))~~that Series from being included in
2 gross income for federal income tax purposes, and ~~((#-))~~the City will neither
3 take any action nor make or permit any use of proceeds of ~~((the Bonds-))~~such
4 Series or other funds of the City treated as proceeds of the ~~((Bonds-))~~Series at
5 any time during the term of the ~~((Bonds-))~~Series which will cause interest on the
6 ~~((Bonds-))~~Series to be included in gross income for federal income tax purposes.
7 The City also covenants that it will, to the extent the arbitrage rebate
8 requirement of Section 148 of the Code is applicable to any Series issued as
9 Tax-Exempt Bonds, take all actions necessary to comply (or to be treated as
10 having complied) with that requirement in connection with that Series, including
11 the calculation and payment of any penalties that the City has elected to pay as
12 an alternative to calculating rebatable arbitrage, and the payment of any other
13 penalties if required under Section 148 of the Code to prevent interest on such
14 Series from being included in gross income for federal income tax purposes.

15 ~~((The City has not been notified of any listing or proposed listing by the~~
16 ~~Internal Revenue Service to the effect that it is a bond issuer whose arbitrage~~
17 ~~certifications may not be relied upon.))~~

18 **(b) Tax-Credit Subsidy Bonds or other Taxable Bonds.** The
19 Director of Finance may, without further action by the Council, make provision
20 in the Bonds or other written document for such additional covenants of the City
21 as may be necessary or appropriate in order for the City to receive from the
22 United States Treasury the applicable Tax Credit Subsidy Payments in respect of
23 any Series issued as Tax Credit Subsidy Bonds or otherwise become and remain
24 eligible for tax benefits under the Code.

1 **Section 25. Amendment to Section 24 of the Ordinance.** Section 24 of Ordinance
2 121939 is renumbered as Section 24 and is amended and restated as follows:

3 **Section ~~((24))24. Official Statement; Continuing Disclosure.~~**

4 **(a) Preliminary Official Statement.** The Director of Finance and
5 other appropriate City officials are directed to cause the preparation of and
6 review the form of a preliminary official statement in connection with each sale
7 of one or more Series to the public. For the sole purpose of the Purchaser's
8 compliance with paragraph (b)(1) of Rule 15c2-12, the Director of Finance is
9 authorized to deem that preliminary official statement final as of its date, except
10 for the omission of information permitted to be omitted by Rule 15c2-12. The
11 City approves the distribution to potential purchasers of the Bonds of a
12 preliminary official statement that has been deemed final in accordance with this
13 substitution.

14 **(b) Final Official Statement.** The City approves the preparation of
15 a final official statement for each sale of one or more Series to be sold to the
16 public in the form of the preliminary official statement with such modifications
17 and amendments as the Director of Finance deems necessary or desirable, and
18 further authorizes the Director of Finance to execute and deliver such final
19 official statement to the Purchaser. The City authorizes and approves the
20 distribution by the Purchaser of that final official statement to purchasers and
21 potential purchasers of the Bonds.

22 **(c) Undertaking to Provide Continuing Disclosure.** ~~((The City~~
23 ~~shall undertake to provide for the benefit of holders of the Bonds disclosure of~~
24 ~~certain financial information and operating data of the type included in the final~~

1 official statement, if any, for the Bonds, as well as disclosure of certain material
2 events respecting the Bonds, in the manner and to the extent required by United
3 States Securities and Exchange Commission Rule 15c2-12. The particular terms
4 of the undertaking shall be set forth in the Bond Resolution.))To meet the
5 requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a
6 participating underwriter for a Series, the Director of Finance is authorized to
7 execute the written Undertaking in substantially the form attached as Exhibit B.

8 **Section 26. Amendment to Section 25 of the Ordinance.** Section 25 of Ordinance
9 121939 is renumbered as Section 22 and is amended and restated as follows:

10 **Section ~~((25))~~22. ~~((Advance-))~~Refunding or Defeasance of Bonds.**

11 The Bonds are hereby designated “Refundable Bonds” for purposes of this
12 ordinance, as it may be amended from time to time. The City may issue
13 ~~((advance-))~~refunding bonds pursuant to the laws of the State or use money
14 available from any other lawful source to pay when due the principal of,
15 premium, if any, and interest on ~~((the))~~any Bond~~((s))~~, or~~((such))~~ portion
16 thereof, included in a refunding or defeasance plan,~~((as the same become due~~
17 ~~and payable))~~ and to redeem and retire, release, refund or defease those Bonds
18 (the “~~((D))~~defeased Bonds”) and to pay the costs of such refunding or
19 defeasance. ~~((In the event that))~~If money and/or Government Obligations
20 ~~((sufficient in))~~maturing at a time or times and in an amount sufficient, together
21 with known earned income from the investment~~((s))~~ thereof, to redeem and
22 retire, release, refund or defease the defeased Bonds in accordance with their
23 terms, are set aside~~((irrevocably))~~ in a special trust fund ~~((for and))~~or escrow
24 account irrevocably pledged~~((irrevocably))~~ to such redemption, retirement or

1 defeasance (the “trust account”), then all right and interest of the ((~~the~~))Owners of
2 the defeased Bonds in the covenants of this ordinance and in the Net Revenue
3 and the funds and accounts pledged to the payment of such defeased Bonds,
4 other than the right to receive the funds so set aside and pledged, thereafter shall
5 cease and become void. Such ((~~the~~))Owners thereafter shall have the right to
6 receive payment of the principal of and interest or redemption price on the
7 defeased Bonds from the trust account. After ((~~the~~))establishing and fully
8 funding ((~~of~~))such a trust account, the ((~~City~~))defeased Bonds shall be deemed
9 as no longer outstanding, and the Director of Finance then may apply any money
10 in any other fund or account established for the payment or redemption of the
11 defeased Bonds to any lawful purposes((~~as it shall determine, subject only to~~
12 ~~the rights of the owners of any other Parity~~)). Notice of refunding or defeasance
13 shall be given, and selection of Bonds for any partial refunding or defeasance
14 shall be conducted, in the manner set forth in this ordinance for the redemption
15 of Bonds.

16 If the refunding or defeasance plan provides that the defeased Bonds or
17 the refunding bonds to be issued be secured by money and/or Government
18 Obligations pending the prior redemption of the defeased Bonds and if such
19 refunding or defeasance plan also provides that certain money and/or
20 Government Obligations are pledged irrevocably for the prior redemption of the
21 defeased Bonds included in that refunding or defeasance plan, then only the debt
22 service on the Bonds which are not defeased Bonds and the refunding bonds, the
23 payment of which is not so secured by the refunding plan, shall be included in
24 the computation of the Coverage Requirement for the issuance of Future Parity

1 Bonds and the annual computation of the Coverage Requirement for
2 determining compliance with the rate covenants.

3 **Section 27. Amendment to Section 26 of the Ordinance.** Section 26 of Ordinance
4 121939 is renumbered as Section 25 and is amended and restated as follows:

5 **Section ~~((26))~~25. Supplemental or Amendatory Ordinances.**

6 (a) This ordinance shall not be ~~((modified))~~supplemented or
7 amended in any respect subsequent to the ~~((initial issuance of the Bonds))~~Issue
8 Date, except as provided in and in accordance with and subject to the provisions
9 of this ~~((S))~~section.

10 (b) The City may, from time to time~~((;))~~ and at any time, without the
11 consent of or notice to the owners of the Parity Bonds~~((-may))~~ pass
12 supplemental or amendatory ordinances ~~((as follows))~~for any of the following
13 purposes:

14 ~~((1))~~i) To cure any formal defect, omission, inconsistency or ambiguity
15 in this ordinance in a manner not adverse to the owners of any
16 Parity Bonds;

17 ~~((2))~~ii) To impose upon the Bond Registrar (with its consent) for
18 the benefit of the owners of ~~((the))~~any Parity Bonds any
19 additional rights, remedies, powers, authority, security, liabilities
20 or duties which may lawfully be granted, conferred or imposed
21 and which are not contrary to or inconsistent with this ordinance
22 as therefore in effect;

23 ~~((3))~~iii) To add to the covenants and agreements of, and
24 limitations and restrictions upon, the City in this ordinance~~((;))~~
25 other covenants, agreements, limitations and restrictions to be
26 observed by the City which are not contrary or inconsistent with
27 this ordinance as therefore in effect;

1 (((4))iv) To confirm, as further assurance, any pledge under, and
2 the subjection to any claim, lien or pledge created or to be created
 by this ordinance of any other money, securities or funds;

3 (((5))v) To authorize different denominations of the Bonds and to make
4 correlative amendments and modifications to this ordinance
5 regarding exchangeability of Bonds of different authorized
6 denominations, redemptions of portions of Bonds of particular
 authorized denominations and similar amendments and
 modifications of a technical nature;

7 (((6))vi) To comply with any future federal law or interpretation to
8 preserve the exclusion of the interest on the Tax-Exempt Bonds
9 from gross income for federal income tax purposes and the
10 entitlement of the City to receive from the United States Treasury
 the applicable Tax Credit Subsidy Payments in respect of any
 Series sold and issued as Tax Credit Subsidy Bonds;

11 (((7))vii) (~~((Because of change in federal law or rulings, to maintain~~
12 ~~the exclusion from gross income of the interest on the Bonds~~
13 ~~from federal income taxation))~~To modify, alter, amend or
14 supplement this ordinance in any other respect which is not
15 materially adverse to the owners of the Parity Bonds and which
 does not involve a change described in subsection (c) of this
 ~~((Section;))~~section; and

16 (((8))viii) To add to the covenants and agreements of, and
17 limitations and restrictions upon, the City in this ordinance, other
18 covenants, agreements, limitations and restrictions to be observed
19 by the City which are requested by a ~~((Bond Insurer or))~~ provider
 of ~~((Reserve))~~Bond Insurance or provider of a Reserve Security
 and which are not materially adverse to the owners of the Parity
 Bonds.

20 Before the City ~~((shall adopt))~~may pass any such supplemental or
21 amendatory ordinance pursuant to this subsection~~((-b))~~, there ~~((shall have~~
22 ~~been))~~must be delivered to the City ~~((and the Bond Registrar-))~~an opinion of
23 Bond Counsel, stating that such supplemental or amendatory ordinance is
24 authorized or permitted by this ordinance and, upon the ~~((execution and~~

1 ~~delivery~~) effective date thereof, will be valid and binding upon the City in
2 accordance with its terms ~~((and))~~, will not adversely affect the exclusion from
3 gross income for federal income tax purposes of interest on ~~((the))~~ any Tax-
4 Exempt Bonds.

5 ~~((1))~~ Except for any supplemental or amendatory ordinance
6 ~~((entered into))~~ passed pursuant to subsection (b) of this ~~((S))~~ section, subject to
7 the terms and provisions contained in this subsection (c) and not otherwise ~~((;~~
8 Registered Owners);

9 (i) With the consent of registered owners of not less than 60% in
10 aggregate principal amount of the Parity Bonds ~~((shall have the~~
11 ~~right from time to time to consent to and approve the passage by~~
12 ~~the City of))~~ then outstanding, the City Council may pass any
13 supplemental or amendatory ordinance deemed necessary or
14 desirable by the City for the purpose of modifying, altering,
15 amending, supplementing or rescinding, in any particular, any of
16 the terms or provisions contained in this ordinance ~~((; except~~
17 ~~that))~~. However, unless approved in writing by the ~~((R))~~ registered
18 ~~((O))~~ owner ~~((s))~~ ~~((of all))~~ of each Parity ~~((Bonds))~~ Bond then
19 outstanding, nothing contained in this ~~((S))~~ section shall permit, or
20 be construed as permitting ~~((;))~~ ~~((i))~~ A a change in the times,
21 amounts or currency of payment of the principal of or interest on
22 any outstanding Parity Bond, or a reduction in the principal
23 amount or ~~((redemption price of any outstanding Parity Bond or a~~
24 ~~change in the))~~ redemption price of any outstanding Parity Bond
25 or a change in the method of determining the rate of interest
26 thereon, ~~((or))~~ ~~((ii))~~ B ~~((A))~~ a preference or priority of any Parity
27 Bond ~~((or Bonds or))~~ over any other ~~((bond or bonds))~~ Parity
Bond, or ~~((iii))~~ C ~~((A))~~ a reduction in the aggregate principal
amount of Parity Bonds ~~((; the consent of the Registered Owners~~
of which is required for any such supplemental ordinance)).

~~((2))~~ ii) If at any time the City ~~((shall))~~ Council passes ~~((any))~~ a
supplemental or amendatory ordinance for any of the purposes of
this subsection (c), the Bond Registrar shall cause notice of the

1 proposed supplemental or amendatory ordinance to be given by
2 first~~(-)~~ class United States mail to all ~~((R))~~ registered
3 ~~((O))~~ owners of the then outstanding Parity Bonds, to ~~((any))~~ each
4 provider of Bond ~~((Insurer))~~ Insurance or a Reserve Security, and
5 to ~~((the))~~ each Rating ~~((Agencies if the Bonds are rated by those~~
6 ~~agencies--))~~ Agency. Such notice shall briefly set forth the nature
of the proposed supplemental or amendatory ordinance and shall
state that a copy ~~((thereof))~~ is on file at the office of the ~~((Bond~~
~~Registrar))~~ City Clerk for inspection by all ~~((Registered~~
~~Owners))~~ owners of the outstanding Parity Bonds.

7 ~~((3))~~iii) Within two years after the date of the mailing of such
8 notice, ~~((the City may adopt --))~~ such supplemental or amendatory
9 ordinance ~~((in))~~, substantially ~~((the form))~~ as described in such
10 notice, may go into effect, but only if there shall have first been
11 delivered to the Bond Registrar ~~((i))~~ A) the required consents, in
12 writing, of ~~((the Registered Owners))~~ registered owners of the
13 Parity Bonds, and ~~((i))~~ B) an opinion of ~~((b))~~ Bond ~~((e))~~ Counsel
14 stating that such supplemental or amendatory ordinance is
15 authorized or permitted by this ordinance and, upon the
16 ~~((execution and delivery))~~ effective date thereof, will be valid and
17 binding upon the City in accordance with its terms ~~((and))~~, will
18 not adversely affect the exclusion from gross income for federal
19 income tax purposes of interest on ~~((the Parity))~~ any Tax-Exempt
20 Bonds.

21 ~~((4))~~iv) If ~~((R))~~ registered ~~((O))~~ owners of not less than the
22 percentage of Parity Bonds required by this subsection (c) shall
23 have consented to and approved the ~~((execution and delivery~~
24 ~~thereof as herein provided))~~ passage of such a supplemental or
25 amendatory ordinance, no owner of ~~((the))~~ a Parity Bond ~~((s))~~
26 shall have any right to object to the passage of such supplemental
27 ordinance, or to object to any of the terms and provisions
contained therein or the operation thereof, or in any manner to
question the propriety of the passage thereof, or to enjoin or
restrain the City from passing the same or the City, any
authorized official thereof, or the Bond Registrar from ~~((passing~~
~~the same or from--))~~ taking any action pursuant to the provisions
thereof.

1 (d) The Registered Owners from time to time of the outstanding
2 Bonds, by taking and holding the same, shall be deemed to have consented to
3 the adoption by the City of any supplemental or amendatory ordinance or
4 resolution passed pursuant to the provisions of this section for any one or more
5 of the following purposes:

6 (i) When calculating “Annual Debt Service,” to permit or require
7 Tax Credit Subsidy Payments expected to be received by the City
8 in any period to be credited against amounts required to be paid
9 in respect of interest on the Parity Bonds in that period; and

10 (ii) To permit or require Tax Credit Subsidy Payments to be
11 deposited into the Principal and Interest Subaccount and credited
12 against the Net Revenue otherwise required to be deposited into
13 the Principal and Interest Subaccount.

14 (e) Upon the ((execution and delivery))effective date of any
15 supplemental or amendatory ordinance pursuant to the provisions of this
16 ((S))section, this ordinance shall be, and be deemed to be, modified and
17 amended in accordance therewith, and the respective rights, duties and
18 obligations under this ordinance of the City, the Bond Registrar and all owners
19 of Parity Bonds, shall thereafter be determined, exercised and enforced under
20 this ordinance subject in all respects to such modifications and amendments.

21 **Section 28. Amendment to Section 27 of the Ordinance.** Section 27 of Ordinance
22 121939 is renumbered as Section 26 and is amended and restated as follows:

23 **Section ((27))26. Defaults and Remedies.**

24 (a) **Events of Default.** The following shall constitute ((“))Events of
25 Default((“)) with respect to the Bonds:
26
27

1 (((1))i) If a default is made in the payment of the principal of or interest
2 on any of the Bonds when the same shall become due and
3 payable; or

4 (((2))ii) If the City defaults in the observance and performance of
5 any other of the covenants, conditions and agreements on the part
6 of the City set forth in this ordinance or ~~((any covenants,~~
7 ~~conditions or agreements on the part of the City contained in~~
8 ~~any))in any Parity Bond Legislation (except as otherwise~~
9 provided herein or in such Parity Bond ((Authorizing
10 Ordinance))Legislation) and such default or defaults have
11 continued for a period of six months after the City has received
12 from the Bond Owners' Trustee (as defined below) or from the
13 ~~((R))registered ((O))owners~~ of not less than 25% in principal
14 amount of the Parity Bonds, a written notice specifying and
15 demanding the cure of such default. However, if the default in
16 the observance and performance of any other of the covenants,
17 conditions and agreements is one which cannot be completely
18 remedied within the six months after written notice has been
19 given, it shall not be an Event of Default with respect to the
20 Bonds as long as the City has taken active steps within the six
21 months after written notice has been given to remedy the default
22 and is diligently pursuing such remedy~~((-));~~ or

23 (((3))iii) If the City files a petition in bankruptcy or is placed in
24 receivership under any state or federal bankruptcy or insolvency
25 law.

26 Notwithstanding anything in this section to the contrary, the failure of
27 the City or any obligated person to comply with the Undertaking shall not
 constitute an Event of Default under this ordinance, the Bond Resolution or the
 Bonds, and the sole remedy of any holder of a Bond shall be to seek an order of
 specific performance from an appropriate court to compel the City to comply
 with the Undertaking.

(b) Bond Owners' Trustee. So long as such Event of Default has
not been remedied, a trustee (the "Bond Owners' Trustee") may be appointed by

1 the ((R))registered ((O))owners of 25% in principal amount of the Parity Bonds,
2 by an instrument or concurrent instruments in writing signed and acknowledged
3 by such ((R))registered ((O))owners of the Parity Bonds or by their attorneys-in-
4 fact duly authorized and delivered to such Bond Owners' Trustee, notification
5 thereof being given to the City. That appointment shall become effective
6 immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond
7 Owners' Trustee appointed under the provisions of this subsection (b) shall be a
8 bank or trust company organized under the laws of the State of Washington or
9 the State of New York or a national banking association. The bank or trust
10 company acting as Bond Owners' Trustee may be removed at any time, and a
11 successor Bond Owners' Trustee may be appointed, by the ((R))registered
12 ((O))owners of a majority in principal amount of the Parity Bonds, by an
13 instrument or concurrent instruments in writing signed and acknowledged by
14 such ((R))registered ((O))owners of the Parity Bonds or by their attorneys-in-
15 fact duly authorized. The Bond Owners' Trustee may require such security and
16 indemnity as may be reasonable against the costs, expenses and liabilities that
17 may be incurred in the performance of its duties.

18 In the event that any Event of Default in the sole judgment of the Bond
19 Owners' Trustee is cured and the Bond Owners' Trustee furnishes to the City a
20 certificate so stating, that Event of Default shall be conclusively deemed to be
21 cured and the City, the Bond Owners' Trustee and the ((R))registered
22 ((O))owners of the Parity Bonds shall be restored to the same rights and position
23 which they would have held if no Event of Default had occurred.

1 The Bond Owners' Trustee appointed in the manner herein provided, and
2 each successor thereto, is declared to be a trustee for the ((R))registered
3 ((O))owners of all the Parity Bonds and is empowered to exercise all the rights
4 and powers herein conferred on the Bond Owners' Trustee.

5 **(c) Suits at Law or in Equity.** Upon the happening of an Event of
6 Default and during the continuance thereof, the Bond Owners' Trustee may, and
7 upon the written request of the ((R))registered ((O))owners of not less than 25%
8 in principal amount of the Parity Bonds outstanding shall, take such steps and
9 institute such suits, actions or other proceedings, all as it may deem appropriate
10 for the protection and enforcement of the rights of the ((R))registered
11 ((O))owners of the Parity Bonds, to collect any amounts due and owing to or
12 from the City, or to obtain other appropriate relief, and may enforce the specific
13 performance of any covenant, agreement or condition contained in this
14 ordinance or in any of the Parity Bonds.

15 Nothing contained in this ((S))section shall, in any event or under any
16 circumstance, be deemed to authorize the acceleration of maturity of principal
17 on the Parity Bonds, and the remedy of acceleration is expressly denied to the
18 ((R))registered ((O))owners of the Parity Bonds under any circumstances
19 including, without limitation, upon the occurrence and continuance of an Event
20 of Default.

21 Any action, suit or other proceedings instituted by the Bond Owners'
22 Trustee hereunder shall be brought in its name as(~~trustee for~~) the Bond
23 ((owners))Owners' Trustee and all such rights of action upon or under any of the
24 Parity Bonds or the provisions of this ordinance may be enforced by the Bond

1 Owners' Trustee without the possession of any of those Parity Bonds and
2 without the production of the same at any trial or proceedings relative thereto
3 except where otherwise required by law. Any such suit, action or proceeding
4 instituted by the Bond Owners' Trustee shall be brought for the ratable benefit
5 of all of the ((R))registered ((O))owners of those Parity Bonds, subject to the
6 provisions of this ordinance. The respective ((R))registered ((O))owners of the
7 Parity Bonds, by taking and holding the same, shall be conclusively deemed
8 irrevocably to appoint the Bond Owners' Trustee the true and lawful trustee of
9 the respective ((R))registered ((O))owners of those Parity Bonds, with authority
10 to institute any such action, suit or proceeding; to receive as trustee and deposit
11 in trust any sums becoming distributable on account of those Parity Bonds; to
12 execute any paper or documents for the receipt of money; and to do all acts with
13 respect thereto that the ((R))registered ((O))owner himself or herself might have
14 done in person. Nothing herein shall be deemed to authorize or empower the
15 Bond Owners' Trustee to consent to accept or adopt, on behalf of any
16 ((R))registered ((O))owner of the Parity Bonds, any plan of reorganization or
17 adjustment affecting the Parity Bonds or any right of any ((O))Owner thereof, or
18 to authorize or empower the Bond Owners' Trustee to vote the claims of the
19 ((R))registered ((O))owners thereof in any receivership, insolvency, liquidation,
20 bankruptcy, reorganization or other proceeding to which the City is a party.

21 **(d) Application of Money Collected by Bond Owners' Trustee.**

22 Any money collected by the Bond Owners' Trustee at any time pursuant to this
23 ((S))section shall be applied in the following order of priority:
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1 (i) (~~first,~~) to the payment of the charges, expenses, advances and
2 compensation of the Bond Owners' Trustee and the charges,
3 expenses, counsel fees, disbursements and compensation of its
4 agents and attorneys; and

5 (ii) (~~second,~~) to the payment to the persons entitled thereto of all
6 installments of interest then due on the Parity Bonds in the order
7 of maturity of such installments and, if the amount available shall
8 not be sufficient to pay in full any installment or installments
9 maturing on the same date, then to the payment thereof ratably,
10 according to the amounts due thereon to the persons entitled
11 thereto, without any discrimination or preference; and

12 (iii) (~~third,~~) to the payment to the persons entitled thereto of the
13 unpaid principal amounts of any Parity Bonds which shall have
14 become due (other than Parity Bonds previously called for
15 redemption for the payment of which money is held pursuant to
16 the provisions hereto), whether at maturity or by proceedings for
17 redemption or otherwise, in the order of their due dates and, if the
18 amount available shall not be sufficient to pay in full the
19 principal amounts due on the same date, then to the payment
20 thereof ratably, according to the principal amounts due thereon to
21 the persons entitled thereto, without any discrimination or
22 preference.

23 (e) **Duties and Obligations of Bond Owners' Trustee.** The Bond
24 Owners' Trustee shall not be liable except for the performance of such duties as
25 are specifically set forth herein. During an Event of Default, the Bond Owners'
26 Trustee shall exercise such of the rights and powers vested in it hereby, and shall
27 use the same degree of care and skill in its exercise, as a prudent person would
exercise or use under the circumstances in the conduct of his or her own affairs.
The Bond Owners' Trustee shall have no liability for any act or omission to act
hereunder except for the Bond Owners' Trustee's own negligent action, its own
negligent failure to act or its own willful misconduct. The duties and obligations
of the Bond Owners' Trustee shall be determined solely by the express

1 provisions of this ordinance, and no implied powers, duties or obligations of the
2 Bond Owners' Trustee shall be read into this ordinance.

3 The Bond Owners' Trustee shall not be required to expend or risk its
4 own funds or otherwise incur individual liability in the performance of any of its
5 duties or in the exercise of any of its rights or powers as the Bond Owners'
6 Trustee, except as may result from its own negligent action, its own negligent
7 failure to act or its own willful misconduct.

8 The Bond Owners' Trustee shall not be bound to recognize any person as
9 a ~~((R))~~registered ~~((Θ))~~owner of any Parity Bond until his or her title thereto, if
10 disputed, has been established to its reasonable satisfaction.

11 The Bond Owners' Trustee may consult with counsel and the opinion of
12 such counsel shall be full and complete authorization and protection in respect
13 of any action taken or suffered by it hereunder in good faith and in accordance
14 with the opinion of such counsel. The Bond Owners' Trustee shall not be
15 answerable for any neglect or default of any person, firm or corporation
16 employed and selected~~((-))~~ by it with reasonable care.

17 **(f) Suits by Individual Parity Bond Owners Restricted.** No
18 owner of any one or more~~((-ef))~~ Parity Bonds shall have any right to institute
19 any action, suit or proceeding at law or in equity for the enforcement of same
20 unless:

- 21 (i) an Event of Default has happened and is continuing; and
22 (ii) a Bond Owners' Trustee has been appointed; and
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- 1 (iii) such owner previously shall have given to the Bond Owners'
2 Trustee written notice of the Event of Default on account of
3 which such suit, action or proceeding is to be instituted; and
4 (iv) the ~~((R))~~registered ~~((O))~~owners of 25% in principal amount of
5 the Parity Bonds, after the occurrence of such Event of Default,
6 ha~~((s))~~ve made written request of the Bond Owners' Trustee and
7 have afforded the Bond Owners' Trustee a reasonable
8 opportunity to institute such suit, action or proceeding; and
9 (v) there have been offered to the Bond Owners' Trustee security and
10 indemnity satisfactory to it against the costs, expenses and
11 liabilities to be incurred therein or thereby; and
12 (vi) the Bond Owners' Trustee has refused or neglected to comply
13 with such request within a reasonable time.

14 No owner of any Parity Bond shall have any right in any manner
15 whatever by his or her action to affect or impair the obligation of the City to pay
16 from the Net Revenue the principal of and interest on such Parity Bonds to the
17 respective ~~((R))~~registered ~~((O))~~owners thereof when due.

18 ~~(((g) Failure to Comply With Undertaking.))~~ ~~((Notwithstanding~~
19 ~~anything in this Section to the contrary, the failure of the City or any obligated~~
20 ~~person to comply with the Undertaking adopted by the Bond Resolution~~
21 ~~pursuant to Section 24 shall not constitute an Event of Default hereunder, and~~
22 ~~the sole remedy of any holder of a Bond shall be to seek an order of specific~~
23 ~~performance from an appropriate court to compel the City to comply with the~~
24 ~~Undertaking.))~~

25 **Section 29. Amendment to Section 28 of the Ordinance.** Section 28 of Ordinance
26 121939 is renumbered as Section 12 and is amended and restated as follows:

27 **Section ~~((28))~~12. ~~((Execution of))~~The Refunding Plan.**

1 **(a) Approval of Refunding Plan; Appointment of Refunding**
2 **Trustee.** ~~((Consistent with the applicable requirements of the Refunded Bonds~~
3 ~~Legislation and any applicable agreements with Bond Insurers, the Director of~~
4 ~~Finance may serve as, or appoint the Refunding Trustee for each series of~~
5 ~~Bonds, which service or appointment shall be confirmed by the Bond~~
6 ~~Resolution.))~~The Bond Resolution shall approve a Refunding Plan for each
7 Series, which shall provide for the issuance of the Series, shall identify the
8 Refundable Bonds to be refunded, shall allocate the Bonds among the various
9 Refunded Bonds, shall describe the method for carrying out the refunding of the
10 Refunded Bonds, and shall appoint the Refunding Trustee. The Refunding Plan
11 shall be carried out, and proceeds of the ~~((Bonds))~~Series shall be applied, in
12 accordance with this ordinance, the respective Refunded Bond Legislation, the
13 Bond Resolution and the laws of the State.

14 **(b) Use of Bond Proceeds; Acquisition of Acquired Obligations.**
15 ~~((For each series of Bonds, sufficient proceeds of the sale of the Bonds shall be~~
16 ~~deposited immediately upon the receipt thereof with the Refunding Trustee and~~
17 ~~used to pay the amounts required by the Refunding Plan to discharge the~~
18 ~~obligations of the City with respect to the applicable Refunded Bonds.))~~To the
19 extent practicable, ~~((such obligations))~~the Refunding Plan shall ~~((be discharged~~
20 ~~fully by))~~provide for the Refunding Trustee's~~((simultaneous))~~ purchase of the
21 Acquired Obligations, bearing such interest and maturing as to principal and
22 interest in such amounts and at such times so as to provide, together with a
23 beginning cash balance, if necessary, for the payment of the amounts required to
24 be paid by the Refunding Plan. The Acquired Obligations shall be listed and

1 more particularly described in a schedule attached to the Refunding Trust
2 Agreement, ~~((and shall be))~~ but are subject to substitution as set forth
3 ~~((therein:))~~ in subsection (c) below.

4 **(c) Substitution of Acquired Obligations.** The City reserves the
5 right at any time to substitute cash or Government Obligations for the Acquired
6 Obligations if the City obtains a verification by a nationally recognized
7 independent certified public accounting firm reasonably acceptable to the
8 Refunding Trustee confirming that the payments of principal of and interest on
9 the substitute Government Obligations, if paid when due, together with the cash
10 to be held by the Refunding Trustee, will be sufficient to carry out the
11 Refunding Plan. If the applicable Series (or series of the Refunded Bonds) were
12 issued as Tax-Exempt Bonds, then prior to such substitution, the City must also
13 obtain an opinion from Bond Counsel to the effect that the disposition and
14 substitution or purchase of such securities will not cause the interest on the
15 applicable Series (or series of the Refunded Bonds) issued as Tax-Exempt
16 Bonds to be included in gross income for federal income tax purposes and that
17 such disposition and substitution or purchase is in compliance with the statutes
18 and regulations applicable to the Series. Any surplus money resulting from the
19 sale, transfer, other disposition or redemption of the Acquired Obligations and
20 the substitutions therefor shall be released from the trust estate and ~~((transferred~~
21 to the Water Fund to-)) may be used for any lawful City purpose.

22 ~~(((e)d))~~ ~~((Administration of Refunding Plan.))~~ Refunding Trust
23 Agreement. In connection with each Series, the Director of Finance is
24 authorized to execute a Refunding Trust Agreement with a Refunding Trustee,

1 setting forth the duties, obligations and responsibilities of the Refunding Trustee
2 in connection with carrying out the Refunding Plan. Each Refunding Trust
3 Agreement shall, among other things, authorize and direct the Refunding
4 Trustee to use the money deposited with it~~((The Refunding Trustee is~~
5 ~~authorized and directed))~~ to purchase the Acquired Obligations (or substitute
6 obligations) and to apply such money along with the maturing principal of and
7 interest on such obligations to make the payments required to be made by the
8 Refunding Plan~~((from the Acquired Obligations (or substitute obligations) and~~
9 ~~money deposited with the Refunding Trustee pursuant to this ordinance. All~~
10 ~~Acquired Obligations (or substitute obligations) and the))~~. The money deposited
11 with the Refunding Trustee, including the Acquired Obligations and any
12 ~~((income therefrom))~~ investment earnings, shall be held irrevocably, invested and
13 applied in accordance with the provisions of the respective Refunded Bond
14 Legislation, this ordinance, the Bond Resolution, chapter 39.53 RCW and other
15 applicable~~((statutes of the))~~ State ~~((of Washington and the Refunding Trust~~
16 ~~Agreement.))~~ law. All administrative costs (including without limitation, all
17 necessary and proper fees, compensation and expenses of the Refunding Trustee
18 and all other costs incidental to the setting up of the escrow to accomplish the
19 ~~((refunding of the Refunded Bonds and costs related to the issuance and delivery~~
20 ~~of the Bonds, including bond printing, verification fees, Bond Counsel's fees~~
21 ~~and other related expenses, shall be paid out of the proceeds of the Bonds.))~~
22 Refunding Plan) and costs of issuance may, in the discretion of the Director of
23 Finance, be paid out of the amounts deposited with the Refunding Trustee or
24 other available money of the City.

1 ~~(((d) Authorization for Refunding Trust Agreement. To carry out~~
2 ~~the Refunding Plan for each series of Bonds, the Director of Finance is~~
3 ~~authorized and directed to execute and deliver to the Refunding Trustee, in~~
4 ~~connection with each series of Bonds, a Refunding Trust Agreement~~
5 ~~substantially in the form approved by the Bond Resolution setting forth the~~
6 ~~duties, obligations and responsibilities of the Refunding Trustee in connection~~
7 ~~with the payment, redemption and retirement of the Refunded Bonds as~~
8 ~~provided herein and in the Bond Resolution.))~~

9 **Section 30. Amendment to Section 29 of the Ordinance.** Section 29 of Ordinance
10 121939 is renumbered as Section 13 and is amended and restated as follows:

11 **Section ~~((29.))13. Call for Redemption of the Refunded Bonds.~~**
12 ~~((As a part of the Refunding Plan, the))~~The City may in the Bond Resolution
13 ~~call, or authorize the Director of Finance to call,~~ the Refunded Bonds for
14 redemption. Such call for redemption of the Refunded Bonds shall
15 ~~((specify))~~identify the Refunded Bonds, call dates and redemption prices
16 ~~(expressed as a percentage of the stated principal amount, plus accrued interest),~~
17 and shall be irrevocable after the ~~((delivery to the initial purchaser of the~~
18 ~~applicable series of Bonds. The dates on which the Refunded Bonds are called~~
19 ~~for redemption shall be, in the judgment of the Director of Finance, the earliest~~
20 ~~practical dates on which those bonds may be called for redemption))~~Issue Date
21 of the applicable Series. The proper City officials are authorized and directed to
22 give or cause to be given such notices as required, at the times and in the manner
23 required pursuant to the Refunded Bond Legislation, in order to carry out the
24 Refunding Plan.

1 ~~((The proper officials of the City are authorized and directed to give or~~
2 ~~cause to be given such notices as required, at the times and in the manner~~
3 ~~required pursuant to the applicable Refunded Bond Legislation in order to effect~~
4 ~~the redemption prior to maturity of the Refunded Bonds.))~~

5 **Section 31. Amendment to Section 30 of the Ordinance.** Section 30 of Ordinance
6 121939 is deleted in its entirety:

7 ~~((Section 30. **City Findings with Respect to Refunding.** With respect~~
8 ~~to each series of Bonds, the Refunding Plan shall be carried out only if the City~~
9 ~~finds and determines in the Bond Resolution that the money to be deposited with~~
10 ~~the Refunding Trustee will discharge and satisfy the obligations of the City with~~
11 ~~respect to the Refunded Bonds under the applicable Refunded Bond Legislation,~~
12 ~~and the pledges, charges, trusts, covenants and agreements of the City therein~~
13 ~~made or provided for as to the Refunded Bonds, and that the Refunded Bonds~~
14 ~~shall no longer be deemed to be outstanding under such legislation immediately~~
15 ~~upon the deposit of such money with the Refunding Trustee.))~~

16 **Section 32. Amendment to Section 31 of the Ordinance.** Section 31 of Ordinance
17 121939 is renumbered as Section 3 and is amended and restated as follows:

18 **Section ~~((31.))~~3. Manner of Sale of Bonds.** At least ~~((10))~~ten days
19 before the ~~((City Council adopts a Bond Resolution for a series))~~date selected
20 by the Director of Finance for the sale of a Series~~((of Bonds))~~, the Director of
21 Finance shall notify the President of the City Council, in writing, of the Director
22 of Finance's determination that the issuance of the ~~((s))~~Series~~((of Bonds))~~ is
23 consistent with the then-current financial policies of the City. The notice shall
24 set forth the reasons for the Director of Finance's determination. Upon giving

1 such notice, the Director of Finance may provide for the sale of ~~((that series of~~
2 ~~Bonds (or any portion thereof))~~each Series by public sale, or by a negotiated
3 ~~sale((with an underwriter or other financial institution))~~, limited offering or
4 private placement with a Purchaser chosen through a selection process
5 acceptable to the Director of Finance. The City Council's adoption of the Bond
6 Resolution shall be conclusive evidence that proper notice was provided to the
7 President of the City Council.

8 The Director of Finance is authorized to specify a date and time of sale
9 of ~~((the Bonds,))~~and a date and time for delivery of each Series; to give notice of
10 that sale~~((;))~~; to determine any bid parameters or other bid requirements and
11 criteria for determining the award of the bid~~((;))~~; to provide for the use of an
12 electronic bidding mechanism~~((;))~~; and to specify other matters in his or her
13 determination necessary, appropriate, or desirable in order to carry out the sale
14 of ~~((the Bonds. The terms of that sale shall be consistent with this ordinance and~~
15 ~~the Bond Resolution and shall be confirmed by the Bond Resolution. The~~
16 ~~Bonds shall be delivered to the purchasers as provided in the Bond Resolution~~
17 ~~immediately upon payment to the City of the purchase price plus accrued~~
18 ~~interest, if any, to the Closing Date in immediately available federal funds in~~
19 ~~Seattle, Washington, at the City's expense or at another time or place upon~~
20 ~~which the Director of Finance and the purchaser may mutually agree at the~~
21 ~~purchaser's expense.))~~each Series. Each Series must be sold on Bond Sale
22 Terms in accordance with Section 4.

23 ~~((CUSIP numbers will be printed on the Bonds if requested by the~~
24 ~~purchasers, but neither failure to print CUSIP numbers on any Bond nor error~~

1 with respect thereto shall constitute cause for a failure or refusal by the
2 purchasers to accept delivery of and pay for the Bonds in accordance with the
3 purchase offer. All expenses in relation to the printing of CUSIP numbers on
4 the Bonds shall be paid by the City, but the fee of the CUSIP Service Bureau
5 for the assignment of those numbers shall be the responsibility of and shall be
6 paid by the purchasers.))

7 ((The City will cause the Bonds to be typed, photocopied, printed or
8 lithographed, sealed and executed and will furnish the approving legal opinion
9 of Bond Counsel, the opinion also being printed on each Bond unless the Bond
10 is typed or photocopied.))

11 **Section 33. Amendment to Section 32 of the Ordinance.** Section 32 of Ordinance
12 121939 is renumbered as Section 27 and is amended and restated as follows:

13 **Section ~~((32))~~27. General Authorization.** ~~((The))~~In addition to the
14 specific authorizations in this ordinance, the Mayor and the Director of Finance
15 ~~((of the City--))~~and each of the other appropriate officers of the City are each
16 authorized and directed to do everything as in ~~((their))~~his or her judgment may
17 be necessary, appropriate, or desirable in order to carry out the terms and
18 provisions of, and complete the transactions contemplated by, this ordinance. In
19 particular~~((;))~~ and without ~~((limitation;))~~limiting the foregoing:

20 (a) The Director of Finance may, in his or her discretion and without
21 further action by the City Council~~((;))~~; (i) issue requests for proposals for
22 underwriting or financing facilities and execute engagement letters with
23 underwriters, bond insurers or other financial institutions based on responses to
24 such requests, ~~((;))~~ ~~((deem final and approve the distribution of any preliminary~~

1 ~~official statement or official statement relating to the Bonds, (iii) comply with~~
2 ~~any continuing disclosure requirements applicable to the Bonds and (iv))~~
3 ~~change the Bond Registrar or ((any securities depository appointed for the~~
4 ~~Bonds.))~~Securities Depository for the Bonds; and (iii) take such actions on
5 behalf of the City as are necessary or appropriate for the City to designate,
6 qualify or maintain the tax-exempt treatment with respect to any Series issued as
7 Tax-Exempt Bonds, to receive from the United States Treasury the applicable
8 Tax Credit Subsidy Payments in respect of any Series issued as Tax-Credit
9 Subsidy Bonds and to otherwise receive any other federal tax benefits relating to
10 the Bonds that available to the City; and

11 (b) Each of the Mayor and the Director of Finance is separately
12 authorized to execute and deliver (i) any and all contracts or other documents as
13 are consistent with this ordinance and for which the City's approval is necessary
14 or to which the City is a party (including but not limited to agreements with
15 escrow agents, refunding trustees, providers of Bond Insurance or Reserve
16 Securities, remarketing agents, underwriters, lenders, fiscal agents, Qualified
17 Counterparties, custodians, and the Bond Registrar); and (ii) such other contracts
18 or documents incidental to the issuance and sale of a Series; the establishment of
19 the initial interest rate or rates on a Bond; or the tender, purchase, remarketing,
20 or redemption of a Bond, as may in his or her judgment be necessary or
21 appropriate.

22 **Section 34. Amendment to Section 33 of the Ordinance.** Section 33 of Ordinance
23 121939 is renumbered as Section 28 and is amended and restated as follows:

1 **Section ((33))28. Severability.** The provisions of this ordinance are
2 declared to be separate and severable. If a court of competent jurisdiction, all
3 appeals having been exhausted or all appeal periods having run, finds any
4 provision of this ordinance to be invalid or unenforceable as to any person or
5 circumstance, such offending provision shall, if feasible, be deemed to be
6 modified to be within the limits of enforceability or validity. However, if the
7 offending provision cannot be so modified, it shall be null and void with respect
8 to the particular person or circumstance, and all other provisions of this
9 ordinance in all other respects, and the offending provision with respect to all
10 other persons and all other circumstances, shall remain valid and enforceable.

11 **Section 35. Amendment to Section 34 of the Ordinance.** Section 34 of Ordinance
12 121939 is renumbered as Section 29 and is amended and restated as follows:

13 **Section ((34))29. Ratification of Prior Acts.** Any action taken
14 consistent with the authority of this ordinance, after its passage but prior to the
15 effective date(~~of this ordinance, including, if applicable, but not limited to~~
16 ~~issuing requests for proposals for financing or underwriting services, executing~~
17 ~~engagement letters for financing or underwriting services based on responses to~~
18 ~~such requests, giving notices of the sale of Bonds, adopting the Bond~~
19 ~~Resolution, executing contracts, making fund transfers and paying warrants)), is~~
20 ratified, approved and confirmed.

21 **Section 36. Amendment to Section 35 of the Ordinance.** Section 35 of Ordinance
22 121939 is renumbered as Section 30 and is amended and restated as follows:

1 respects, and the offending provision with respect to all other person and all other
2 circumstances, shall remain valid and enforceable.

3 **Section 41. Ratification of Prior Acts.** Any action taken consistent with the
4 authority of this ordinance, after its passage but prior to the effective date, is ratified, approved
5 and confirmed.

6 **Section 42. Section Headings.** The section headings in this ordinance are used for
7 convenience only and shall not constitute a substantive portion of this ordinance.

8 **Section 43. Effective Date.** This ordinance shall take effect and be in force 30 days
9 after its approval by the Mayor, but if not approved and returned by the Mayor within ten days
10 after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

11 Passed by the City Council the ____ day of _____, 2013, and
12 signed by me in open session in authentication of its passage this
13 ____ day of _____, 2013.

14 _____
15 _____
16 President _____ of the City Council

17
18 Approved by me this ____ day of _____, 2013.

19 _____
20 _____
21 Michael McGinn, Mayor

22
23 Filed by me this ____ day of _____, 2013.

Monica Martinez Simmons, City Clerk

(Seal)

Exhibit A – List of Outstanding Parity Bonds

Exhibit B – Form of Undertaking to Provide Continuing Disclosure

Exhibit C – Amended and Restated Ordinance 121939, as amended by Ordinance 122837 and
this ordinance (without strikethroughs and insertions)

EXHIBIT A

Outstanding Water Parity Bonds

Issue Name	Dated Date	Original Par Amount	Parity Bond Authorizing Legislation
Water System and Refunding Revenue Bonds, 2003 ("2003 Bonds")	4/29/2003	\$271,320,000	Ordinance 121094 and Resolution 30598
Water System Revenue Bonds, 2004 ("2004 Bonds")	10/25/2004	\$84,750,000	Ordinance 121587 and Resolution 30710

EXHIBIT A

Outstanding Water Parity Bonds

Issue Name	Dated Date	Original Par Amount	Parity Bond Authorizing Legislation
((Water System Revenue Bonds, 1997 ("1997 Bonds")))	((3/15/1997))	(((\$53,000,000))	((Ordinance 11851-2 and Resolution 29553))
((Water System Revenue Bonds, 1998 ("1998 Bonds")))	((6/1/1998))	(((\$80,000,000))	((Ordinance 118973 and Resolution 29785))
((Water System Revenue Bonds, 1999 ("1999A Bonds")))	((6/1/1999))	(((\$100,000,000))	((Ordinance 119457 and Resolution 29973))
((Water System Revenue Bonds, 1999, Series B ("1999B Bonds")))	((10/1/1999))	(((\$110,000,000))	((Ordinance 119649 and Resolution 30057))
((Water System Revenue Bonds, 2001 ("2001 Bonds")))	((11/1/2001))	(((\$52,525,000))	((Ordinance 12054-7 and Resolution 30419))
Water System and Refunding Revenue Bonds, 2003 ("2003 Bonds")	4/29/2003	\$271,320,000	Ordinance 121094 and Resolution 30598
Water System Revenue Bonds, 2004 ("2004 Bonds")	10/25/2004	\$84,750,000	Ordinance 121587 and Resolution 30710

EXHIBIT B

FORM OF UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The City of Seattle, Washington (the “City”) makes the following written Undertaking for the benefit of the owners of the City’s Water Refunding Revenue Bonds, 2014 (the “Bonds”), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance _____ and Resolution _____ (together, the “Bond Legislation”).

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data regarding the Water System of the type included in the final official statement for the Bonds and described in subsection (b) of this section (“annual financial information”);

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

1 (b) Type of Annual Financial Information Undertaken to be Provided. The annual
financial information that the City undertakes to provide in subsection (a) of this section:

2 (i) Shall consist of annual financial information and operating data
3 regarding the Water System of the type included in the final official statement for the Bonds as
4 follows: (1) annual financial statements of the Water System prepared in accordance with
5 generally accepted accounting principles applicable to governmental units (except as otherwise
6 noted therein), as such principles may be changed from time to time and as permitted by State
7 law, which financial statements will not be audited, except, that if and when audited financial
8 statements are otherwise prepared and available to the City they will be provided; (2) a
statement of authorized, issued and outstanding bonded debt secured by revenues of the Water
System; (3) debt service coverage ratios; (4) general customer statistics, such as number and
type of customers and revenues by customer class; and (5) current water rates;

9 (ii) Shall be provided not later than the last day of the ninth month after the
10 end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal
11 year may be changed as required or permitted by State law, commencing with the City's fiscal
year ending December 31, 20__; and

12 (iii) May be provided in a single or multiple documents, and may be
13 incorporated by specific reference to documents available to the public on the Internet website
of the MSRB or filed with the SEC.

14 (c) Amendment of Undertaking. The Undertaking is subject to amendment after the
15 primary offering of the Bonds without the consent of any holder of any Bond, or of any broker,
16 dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB,
under the circumstances and in the manner permitted by Rule 15c2-12. The City will give
17 notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking
18 and a brief statement of the reasons for the amendment. If the amendment changes the type of
19 annual financial information to be provided, the annual financial information containing the
amended financial information will include a narrative explanation of the effect of that change
on the type of information to be provided.

20 (d) Beneficiaries. The Undertaking evidenced by this section shall inure to the
21 benefit of the City and any Beneficial Owner of Bonds, and shall not inure to the benefit of or
create any rights in any other person.

22 (e) Termination of Undertaking. The City's obligations under this Undertaking
23 shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the
24 outstanding Bonds. In addition, the City's obligations under this Undertaking shall terminate if
25 those provisions of Rule 15c2-12 which require the City to comply with this Undertaking
26 become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion
of nationally recognized bond counsel or other counsel familiar with federal securities laws
delivered to the City, and the City provides timely notice of such termination to the MSRB.

1 (f) Remedy for Failure to Comply with Undertaking. As soon as practicable after
2 the City learns of any failure to comply with the Undertaking, the City will proceed with due
3 diligence to cause such noncompliance to be corrected. No failure by the City or other
4 obligated person to comply with the Undertaking shall constitute a default in respect of the
5 Bonds. The sole remedy of any Beneficial Owner of a Bond shall be to take such actions as
6 that Beneficial Owner deems necessary, including seeking an order of specific performance
7 from an appropriate court, to compel the City or other obligated person to comply with the
8 Undertaking.

9 (g) Designation of Official Responsible to Administer Undertaking. The Director
10 of Finance of the City (or such other officer of the City who may in the future perform the
11 duties of that office) or his or her designee is the person designated, in accordance with the
12 Bond Legislation, to carry out the Undertaking of the City in respect of the Bonds set forth in
13 this section and in accordance with Rule 15c2-12, including, without limitation, the following
14 actions:

15 (i) Preparing and filing the annual financial information undertaken to be
16 provided;

17 (ii) Determining whether any event specified in subsection (a) has occurred,
18 assessing its materiality, where necessary, with respect to the Bonds, and preparing and
19 disseminating any required notice of its occurrence;

20 (iii) Determining whether any person other than the City is an “obligated
21 person” within the meaning of the Rule with respect to the Bonds, and obtaining from such
22 person an undertaking to provide any annual financial information and notice of listed events
23 for that person in accordance with the Rule;

24 (iv) Selecting, engaging and compensating designated agents and
25 consultants, including but not limited to financial advisors and legal counsel, to assist and
26 advise the City in carrying out the Undertaking; and

27 (v) Effecting any necessary amendment of the Undertaking.
28

EXHIBIT B

FORM OF UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The City of Seattle, Washington (the “City”) makes the following written Undertaking for the benefit of the owners of the City’s Water Refunding Revenue Bonds, 2014 (the “Bonds”), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance _____ and Resolution _____ (together, the “Bond Legislation”).

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data regarding the Water System of the type included in the final official statement for the Bonds and described in subsection (b) of this section (“annual financial information”);

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

1 (b) Type of Annual Financial Information Undertaken to be Provided. The annual
2 financial information that the City undertakes to provide in subsection (a) of this section:

3 (i) Shall consist of annual financial information and operating data
4 regarding the Water System of the type included in the final official statement for the Bonds as
5 follows: (1) annual financial statements of the Water System prepared in accordance with
6 generally accepted accounting principles applicable to governmental units (except as otherwise
7 noted therein), as such principles may be changed from time to time and as permitted by State
8 law, which financial statements will not be audited, except, that if and when audited financial
9 statements are otherwise prepared and available to the City they will be provided; (2) a
10 statement of authorized, issued and outstanding bonded debt secured by revenues of the Water
11 System; (3) debt service coverage ratios; (4) general customer statistics, such as number and
12 type of customers and revenues by customer class; and (5) current water rates;

13 (ii) Shall be provided not later than the last day of the ninth month after the
14 end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal
15 year may be changed as required or permitted by State law, commencing with the City's fiscal
16 year ending December 31, 20 ; and

17 (iii) May be provided in a single or multiple documents, and may be
18 incorporated by specific reference to documents available to the public on the Internet website
19 of the MSRB or filed with the SEC.

20 (c) Amendment of Undertaking. The Undertaking is subject to amendment after the
21 primary offering of the Bonds without the consent of any holder of any Bond, or of any broker,
22 dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB,
23 under the circumstances and in the manner permitted by Rule 15c2-12. The City will give
24 notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking
25 and a brief statement of the reasons for the amendment. If the amendment changes the type of
26 annual financial information to be provided, the annual financial information containing the
27 amended financial information will include a narrative explanation of the effect of that change
28 on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this section shall inure to the
benefit of the City and any Beneficial Owner of Bonds, and shall not inure to the benefit of or
create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking
shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the
outstanding Bonds. In addition, the City's obligations under this Undertaking shall terminate if
those provisions of Rule 15c2-12 which require the City to comply with this Undertaking
become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion
of nationally recognized bond counsel or other counsel familiar with federal securities laws
delivered to the City, and the City provides timely notice of such termination to the MSRB.

1 (f) Remedy for Failure to Comply with Undertaking. As soon as practicable after
2 the City learns of any failure to comply with the Undertaking, the City will proceed with due
3 diligence to cause such noncompliance to be corrected. No failure by the City or other
4 obligated person to comply with the Undertaking shall constitute a default in respect of the
5 Bonds. The sole remedy of any Beneficial Owner of a Bond shall be to take such actions as
6 that Beneficial Owner deems necessary, including seeking an order of specific performance
7 from an appropriate court, to compel the City or other obligated person to comply with the
8 Undertaking.

9 (g) Designation of Official Responsible to Administer Undertaking. The Director
10 of Finance of the City (or such other officer of the City who may in the future perform the
11 duties of that office) or his or her designee is the person designated, in accordance with the
12 Bond Legislation, to carry out the Undertaking of the City in respect of the Bonds set forth in
13 this section and in accordance with Rule 15c2-12, including, without limitation, the following
14 actions:

15 (i) Preparing and filing the annual financial information undertaken to be
16 provided;

17 (ii) Determining whether any event specified in subsection (a) has occurred,
18 assessing its materiality, where necessary, with respect to the Bonds, and preparing and
19 disseminating any required notice of its occurrence;

20 (iii) Determining whether any person other than the City is an “obligated
21 person” within the meaning of the Rule with respect to the Bonds, and obtaining from such
22 person an undertaking to provide any annual financial information and notice of listed events
23 for that person in accordance with the Rule;

24 (iv) Selecting, engaging and compensating designated agents and
25 consultants, including but not limited to financial advisors and legal counsel, to assist and
26 advise the City in carrying out the Undertaking; and

27 (v) Effecting any necessary amendment of the Undertaking.

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EXHIBIT C

**AMENDED AND RESTATED
ORDINANCE 121939
(as amended by Ordinances 122837 and _____)**

AN ORDINANCE relating to the municipal water system of The City of Seattle; authorizing the issuance and sale of water system revenue bonds, in one or more series, for the purpose of paying all or part of the costs of refunding certain of the City’s water system revenue bonds and costs of issuance of the bonds; providing for terms, covenants and manner of sale of the bonds; describing the lien of the bonds; and providing for agreements and activities in connection with the disposition of the proceeds of the bonds.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance the following capitalized terms shall have the following meanings:

“Accreted Value” means with respect to any Capital Appreciation Bond (a) as of any Valuation Date, the amount set forth for such date in any Parity Bond Legislation authorizing such Capital Appreciation Bond, and (b) as of any date other than a Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, multiplied by (B) the difference between the Accreted Values for such Valuation Dates.

“Acquired Obligations” means those Government Obligations purchased to accomplish the Refunding Plan, consistent with the Refunded

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1 Bond Legislation and any applicable agreements with a provider of Bond
2 Insurance or a Reserve Security.

3 **“Adjusted Annual Debt Service”** for any fiscal year means Annual
4 Debt Service minus (a) an amount equal to ULID Assessments due in that year
5 and not delinquent, (b) an amount equal to earnings from investments in the
6 Reserve Subaccount, and (c) Annual Debt Service provided for by Parity Bond
7 proceeds.

8 **“Adjusted Gross Revenue”** means, for any period, Gross Revenue plus
9 withdrawals from the Rate Stabilization Account made during that period, and
10 minus (a) ULID Assessments, (b) earnings from investments in the Reserve
11 Subaccount and (c) deposits into the Rate Stabilization Account made during
12 that period.

13 **“Adjusted Net Revenue”** means Adjusted Gross Revenue less
14 Operating and Maintenance Expense.

15 **“Annual Debt Service”** for any calendar year means the sum of the
16 amounts required in such calendar year to pay the interest due in such calendar
17 year on all Parity Bonds outstanding, excluding interest to be paid from the
18 proceeds of the sale of Parity Bonds or other bonds; the principal of all
19 outstanding Serial Bonds due in such calendar year; and the Sinking Fund
20 Requirement, if any, for such calendar year.

21 (a) For purposes of this definition, the principal and interest portions
22 of the Accreted Value of Capital Appreciation Bonds becoming due at maturity
23 or by virtue of a Sinking Fund Requirement shall be included in the calculations
24 of accrued and unpaid and accruing interest or principal in such manner and
25

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1 during such period of time as is specified in any Parity Bond Legislation
2 authorizing such Capital Appreciation Bonds.

3 (b) For purposes of calculating and determining compliance with the
4 Coverage Requirement, the Reserve Requirement and the conditions for the
5 issuance of Future Parity Bonds and/or entering into Parity Payment
6 Agreements, the following shall apply:

7 (i) **Generally.** Except as otherwise provided by subparagraph (ii)
8 below with respect to Variable Interest Rate Bonds and by
9 subparagraph (iii) below with respect to Parity Bonds with
10 respect to which a Payment Agreement is in force, interest on any
11 issue of Parity Bonds shall be calculated based on the actual
12 amount of accrued, accreted or otherwise accumulated interest
13 that is payable in respect of that issue taken as a whole, at the rate
14 or rates set forth in the applicable Parity Bond Legislation.

15 (ii) **Interest on Variable Interest Rate Bonds.** The amount of
16 interest deemed to be payable on any issue of Variable Interest
17 Rate Bonds shall be calculated on the assumption that the interest
18 rate on those bonds would be equal to the rate that is 90% of the
19 average RBI during the four calendar quarters preceding the
20 quarter in which the calculation is made.

21 (iii) **Interest on Parity Bonds With Respect to Which a Payment**
22 **Agreement is in Force.** Debt service on Parity Bonds with
23 respect to which a Payment Agreement is in force shall be based
24 on the net economic effect on the City expected to be produced
25 by the terms of the Parity Bonds and the terms of the Payment
26 Agreement, including but not limited to the effects produced by
27 the following: (A) Parity Bonds that would, but for a Payment
28 Agreement, be treated as obligations bearing interest at a
Variable Interest Rate instead shall be treated as obligations
bearing interest at a fixed interest rate, and (B) Parity Bonds that
would, but for a Payment Agreement, be treated as obligations
bearing interest at a fixed interest rate instead shall be treated as
obligations bearing interest at a Variable Interest Rate.
Accordingly, the amount of interest deemed to be payable on any
Parity Bonds with respect to which a Payment Agreement is in
force shall be an amount equal to the amount of interest that

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1 would be payable at the rate or rates stated in those Parity Bonds
2 plus Payment Agreement Payments minus Payment Agreement
3 Receipts. For the purposes of calculating as nearly as practicable
4 Payment Agreement Receipts and Payment Agreement Payments
5 under a Payment Agreement that includes a variable rate
6 component determined by reference to a pricing mechanism or
7 index that is not the same as the pricing mechanism or index used
8 to determine the variable rate interest component on the Parity
9 Bonds to which the Payment Agreement is related, it shall be
10 assumed that the fixed rate used in calculating Payment
11 Agreement Payments will be equal to 105% of the fixed rate
12 specified by the Payment Agreement and that the pricing
13 mechanism or index specified by the Payment Agreement is the
14 same as the pricing mechanism or index specified by the Parity
15 Bonds. Notwithstanding the other provisions of this
16 subparagraph, the City shall not be required to (but may in its
17 discretion) take into account in determining Annual Debt Service
18 the effects of any Payment Agreement that has a term of ten years
19 or less.

20 (iv) **Parity Payment Agreements.** No additional debt service shall
21 be taken into account with respect to a Parity Payment
22 Agreement for any period during which Payment Agreement
23 Payments on that Parity Payment Agreement are taken into
24 account in determining Annual Debt Service on related Parity
25 Bonds under subsection (iii) of this definition. However, for any
26 period during which Payment Agreement Payments are not taken
27 into account in calculating Annual Debt Service on any
28 outstanding Parity Bonds because the Parity Payment Agreement
is not then related to any outstanding Parity Bonds, payments on
that Parity Payment Agreement shall be taken into account by
assuming:

(A) **City Obligated to Make Payments Based on Fixed
Rate.** If the City 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, that payments by the City
will be based on the assumed fixed payor rate, and that
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 Parity Payment Agreement

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during the four calendar quarters preceding the quarter in which the calculation is made, and

(B) City Obligated to Make Payments Based on Variable Rate Index. If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payment based on a fixed rate, that payments by the City will be based on a rate equal to the average rate determined by the variable rate index specified by the Parity Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made, and that the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement.

(v) Balloon Bonds. For purposes of calculating debt service on any Balloon Bonds, it shall be assumed that the principal of those Balloon Bonds, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a term of 30 years.

“Authorized Denomination” means \$5,000 or any integral multiple thereof within a maturity of a Series.

“Average Annual Debt Service” means, at the time of calculation, the sum of the Annual Debt Service remaining to be paid to the last scheduled maturity of the applicable series of Parity Bonds divided by the number of years such bonds are scheduled to remain outstanding.

“Balloon Bonds” means any series of Parity Bonds designated as Balloon Bonds in the applicable Parity Bond Legislation.

“Beneficial Owner” means, with regard to a Bond, the owner of any beneficial interest in that Bond.

“Bond Counsel” means a lawyer or a firm of lawyers, selected by the City, of nationally recognized standing in matters pertaining to bonds issued by states and their political subdivisions.

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1 **“Bond Insurance”** means any bond insurance, guaranty, surety bond or
2 similar credit enhancement device providing for or securing the payment of all
3 or part of the principal of and interest on any Parity Bonds.

4 **“Bond Purchase Contract”** means a written offer to purchase a Series,
5 which offer has been accepted by the City in accordance with this ordinance. In
6 the case of a competitive sale, the official notice of sale, the Purchaser’s bid and
7 the award by the City shall comprise the offer and the award by the City in
8 accordance with this ordinance shall be deemed the acceptance of that offer for
9 purposes of this ordinance.

10 **“Bond Register”** means the books or records maintained by the Bond
11 Registrar for the purpose of identifying ownership of each Bond.

12 **“Bond Registrar”** means the Fiscal Agent (unless the Bond Resolution
13 provides for a different Bond Registrar with respect to a particular Series), or
14 any successor bond registrar selected in accordance with the Registration
15 Ordinance.

16 **“Bond Resolution”** means a resolution of the City Council adopted
17 pursuant to this ordinance approving the Bond Sale Terms and taking other
18 actions consistent with this ordinance.

19 **“Bond Sale Terms”** means the terms and conditions for the sale of a
20 Series including the amount, date or dates, denominations, interest rate or rates
21 (or mechanism for determining interest rate or rates), payment dates, final
22 maturity, redemption rights, price, and other terms or covenants set forth in
23 Section 4.

24 **“Bonds”** means the Water System refunding revenue bonds issued
25 pursuant to this ordinance.

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1 **“Capital Appreciation Bond”** means any Parity Bond, all or a portion
2 of the interest on which is compounded and accumulated at the rates or in the
3 manner, and on the dates, set forth in the applicable Parity Bond Legislation and
4 is payable only upon redemption or on the maturity date of such Parity Bond. A
5 Parity Bond issued as a Capital Appreciation Bond, but which later converts to
6 an obligation on which interest is paid periodically, shall be a Capital
7 Appreciation Bond until the conversion date and thereafter shall no longer be a
8 Capital Appreciation Bond, but shall be treated as having a principal amount
9 equal to its Accreted Value on the conversion date.

10 **“City”** means The City of Seattle, Washington, a municipal corporation
11 duly organized and existing under the laws of the State of Washington.

12 **“City Council”** means the City Council of the City, as duly and
13 regularly constituted from time to time.

14 **“Code”** means the Internal Revenue Code of 1986, or any successor
15 thereto, as it has been and may be amended from time to time, and regulations
16 thereunder.

17 **“Contract Resource Obligation”** means an obligation of the City,
18 designated as a Contract Resource Obligation and entered into in accordance
19 with Section 21.

20 **“Coverage Requirement”** means Adjusted Net Revenue equal to at
21 least 1.25 times Adjusted Annual Debt Service.

22 **“DTC”** means The Depository Trust Company, New York, New York.

23 **“Director of Finance”** means the Director of the Finance Division of
24 the Department of Finance and Administrative Services of the City, or any other
25 officer who succeeds to substantially all of the responsibilities of that office
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“**Event of Default**” shall have the meaning assigned to that term in Section 26.

“**Fiscal Agent**” means the fiscal agent of the State, as the same may be designated by the State from time to time.

“**Future Parity Bonds**” means, with reference to any Series of the Bonds, all revenue bonds and obligations of the Water System (other than that Series and any other Parity Bonds then outstanding) issued or entered into after the Issue Date of such Series, the payment of which constitutes a charge and lien on the Net Revenue equal in rank with the charge and lien upon such revenue required to be paid into the Parity Bond Account under Section 16. Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in compliance with Section 18.

“**Future Parity Bond Legislation**” means any ordinance or resolution passed or adopted by the City Council providing for the issuance and sale of a series of Future Parity Bonds, and any other ordinance or resolution amending or supplementing the provisions of any such ordinance or resolution.

“**Government Obligations**” has the meaning given in RCW 39.53.010, as now in effect or as may hereafter be amended.

“**Gross Revenue**” means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Municipal Water System; (b) the proceeds received by the City directly or indirectly from the sale, lease or other disposition of any of the properties, rights or facilities of the Municipal Water System; (c) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the

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1 investment income earned on money held in any fund or account of the City,
2 including any bond redemption funds and the accounts therein, in connection
3 with the ownership and operation of the Municipal Water System. Gross
4 Revenue does not include: (a) insurance proceeds compensating the City for the
5 loss of a capital asset; (b) income derived from investments irrevocably pledged
6 to the payment of any defeased bonds payable from Gross Revenue; (c)
7 investment income set aside for or earned on money in any fund or account
8 created or maintained solely for the purpose of complying with the arbitrage
9 rebate provisions of the Code; (d) any gifts, grants, donations or other funds
10 received by the City from any State or federal agency or other person if such
11 gifts, grants, donations or other funds are the subject of any limitation or
12 reservation imposed by the donor or grantor or imposed by law or administrative
13 regulation to which the donor or grantor is subject, limiting the application of
14 such funds in a manner inconsistent with the application of Gross Revenue
15 hereunder; (e) the proceeds of any borrowing for capital improvements (or the
16 refinancing thereof); (f) the proceeds of any liability or other insurance
17 (excluding business interruption insurance or other insurance of like nature
18 insuring against the loss of revenues); (g) general *ad valorem* taxes, excise taxes
19 and special assessments, including interest and penalties thereon; and (h)
20 earnings of any separate utility system that may be created, acquired, or
21 constructed by the City pursuant to Section 20.

22 **“Independent Utility Consultant”** means an independent person or
23 firm having a favorable reputation for skill and experience with municipal water
24 systems of comparable size and character to the Municipal Water System in
25 such areas as are relevant to the purpose for which they were retained.

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1 **“Issue Date”** means, with respect to a Bond, the date, as determined by
2 the Director of Finance, on which that Bond is issued and delivered to the
3 Purchaser in exchange for its purchase price.

4 **“Letter of Representations”** means the Blanket Issuer Letter of
5 Representations between the City and DTC dated October 4, 2006, as it may be
6 amended from time to time, or an agreement with a substitute successor
7 Securities Depository.

8 **“Maximum Annual Debt Service”** means, at the time of calculation,
9 the maximum amount of Annual Debt Service which shall become due in the
10 current calendar year or in any future calendar year on the Parity Bonds then
11 outstanding.

12 **“MSRB”** means the Municipal Securities Rulemaking Board.

13 **“Municipal Water System”** means the water system of the City as it
14 now exists, and all additions thereto and betterments and extensions thereof at
15 any time made, together with any utility systems of the City hereafter combined
16 with the Municipal Water System. The Municipal Water System shall not
17 include any separate utility system that may be created, acquired or constructed
18 by the City as provided in Section 20.

19 **“Net Revenue”** means, for any period, the Gross Revenue less
20 Operating and Maintenance Expense.

21 **“Operating and Maintenance Expense”** means all expenses incurred
22 by the City in causing the Municipal Water System of the City to be operated
23 and maintained in good repair, working order and condition, including without
24 limitation: deposits, premiums, assessments or other payments for insurance, if
25 any, on the Municipal Water System; payments into pension funds;

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1 State-imposed taxes; amounts due under Contract Resource Obligations (but
2 only at the times described in Section 21); payments made to any other person or
3 entity for the receipt of water supply or transmission or other commodity or
4 service; and payments with respect to any other expenses of the Municipal
5 Water System that are properly treated as operating and maintenance expenses
6 under generally accepted accounting principles applicable to municipal
7 corporations. Operating and Maintenance Expense does not include any
8 depreciation or taxes levied or imposed by the City, or payments to the City in
9 lieu of taxes, or capital additions or capital replacements to the Municipal Water
10 System.

11 **“Outstanding Parity Bonds”** means, with reference to a Series of the
12 Bonds, the then outstanding Parity Bonds described in Exhibit A, and any other
13 Parity Bonds outstanding as of the Issue Date of that Series.

14 **“Owner”** means, without distinction, the Registered Owner and the
15 Beneficial Owner of a Bond.

16 **“Parity Bond Account”** means the Water Revenue Parity Bond
17 Account created by Ordinance 116705 in the Water Fund for the purpose of
18 paying and securing the principal of and interest on Parity Bonds.

19 **“Parity Bond Legislation”** means any ordinance or resolution passed or
20 adopted by the City Council providing for the issuance and sale of a series of
21 Parity Bonds, and any other ordinance or resolution amending or supplementing
22 the provisions of any Parity Bond Legislation.

23 **“Parity Bonds”** means the Outstanding Parity Bonds, the Bonds, and
24 any outstanding Future Parity Bonds or Parity Payment Agreements.

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1 **“Parity Conditions”** means the conditions for issuing Future Parity
2 Bonds under the Parity Bond Legislation.

3 **“Parity Payment Agreement”** means a Payment Agreement under
4 which the City’s payment obligations are expressly stated to constitute a charge
5 and lien on the Net Revenue equal in rank with the charge and lien upon such
6 revenue required to be paid into the Parity Bond Account to pay interest on
7 Parity Bonds.

8 **“Payment Agreement”** means a written agreement, for the purpose of
9 managing or reducing the City’s exposure to fluctuations or levels of interest
10 rates or for other interest rate, investment, asset or liability management
11 purposes, entered into on either a current or forward basis by the City and a
12 Qualified Counterparty as authorized by any applicable laws of the State in
13 connection with, or incidental to, the issuance, incurring or carrying of particular
14 bonds, notes, bond anticipation notes, commercial paper or other obligations for
15 borrowed money, or lease, installment purchase or other similar financing
16 agreements or certificates of participation therein, that provides for an exchange
17 of payments based on interest rates, ceilings or floors on such payments, options
18 on such payments, or any combination thereof or any similar device.

19 **“Payment Agreement Payments”** means the amounts periodically
20 required to be paid by the City to the Qualified Counterparty pursuant to a
21 Payment Agreement.

22 **“Payment Agreement Receipts”** means the amounts periodically
23 required to be paid by the Qualified Counterparty to the City pursuant to a
24 Payment Agreement.

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1 **“Permitted Investments”** means any investments or investment
2 agreements permitted for the investment of City funds under the laws of the
3 State of Washington, as amended from time to time.

4 **“Principal and Interest Subaccount”** means the subaccount of that
5 name created in the Parity Bond Account for the payment of the principal of and
6 interest and on Parity Bonds.

7 **“Purchaser”** means the entity or entities who have been selected in
8 accordance with this ordinance to serve as underwriter, purchaser or successful
9 bidder in a sale of any Series.

10 **“Qualified Counterparty”** means a party (other than the City or a party
11 related to the City) who is the other party to a Payment Agreement, (a)(i) whose
12 senior debt obligations are rated in one of the three highest rating categories of
13 each of the Rating Agencies (without regard to any gradations within a rating
14 category), or (ii) whose obligations under the Payment Agreement are
15 guaranteed for the entire term of the Payment Agreement by a bond insurer or
16 other institution which has been assigned a credit rating in one of the two
17 highest rating categories of each Rating Agency; and (b) who is otherwise
18 qualified to act as the other party to a Payment Agreement under any applicable
19 laws of the State.

20 **“Qualified Insurance”** means Bond Insurance provided by an insurance
21 company that, as of the time of issuance of such Bond Insurance, is rated in one of
22 the two highest rating categories (without regard to any gradations within a rating
23 category) by at least two nationally recognized rating agencies.

24 **“Qualified Letter of Credit”** means any letter of credit issued by a
25 financial institution for the account of the City on behalf of the Beneficial
26

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1 Owner of any Parity Bond, which institution maintains an office, agency or
2 branch in the United States and, as of the time of issuance of such letter of
3 credit, is rated in one of the two highest rating categories by at least two
4 nationally recognized rating agencies.

5 **"RBI"** means *The Bond Buyer* Revenue Bond Index or comparable
6 index, or, if no comparable index can be obtained, 80% of the interest rate for
7 actively traded 30-year United States Treasury obligations.

8 **"Rate Stabilization Account"** means the account of that name created
9 in the Water Fund pursuant to Ordinance 116705 and redesignated for
10 accounting purposes as the Revenue Stabilization Subfund of the Water Fund
11 pursuant to Ordinance 120875.

12 **"Rating Agency"** means any nationally recognized rating agency then
13 maintaining a rating on a series of Parity Bonds at the request of the City.

14 **"Record Date"** means, unless otherwise defined in the Bond Resolution,
15 in the case of each interest or principal payment or redemption date, the Bond
16 Registrar's close of business on the 15th day of the month preceding the interest
17 or principal payment date. With regard to redemption of a Bond prior to its
18 maturity, the Record Date shall mean the Bond Registrar's close of business on
19 the day prior to the date on which the Bond Registrar sends the notice of
20 redemption.

21 **"Refundable Bonds"** means, collectively all Parity Bonds that the City
22 may from time to time designate as Refundable Bonds.

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1 **“Refunded Bond Legislation”** means the respective ordinance and
2 resolution, including all amendatory or supplemental ordinances and resolutions,
3 pursuant to which a series of Refunded Bonds was issued.

4 **“Refunded Bonds”** means those Refundable Bonds included in a
5 Refunding Plan.

6 **“Refunding Plan”** means the plan approved in a Bond Resolution to
7 issue a Series, and to apply the proceeds of the sale of such Series and any other
8 available money included in the plan, to redeem, or to defease and redeem, those
9 Refundable Bonds identified in the plan.

10 **“Refunding Trust Agreement”** means, with respect to each Series, a
11 refunding trust or escrow agreement, dated as of the Issue Date of such Series,
12 between the City and a Refunding Trustee and providing for the irrevocable
13 deposit of Bond proceeds and other available money of the City, to be used to
14 carry out a Refunding Plan.

15 **“Refunding Trustee”** means, for each Series, the Director of Finance,
16 or a financial institution selected by the Director of Finance to serve as
17 refunding trustee or escrow agent under a Refunding Trust Agreement.

18 **“Registered Owner”** means, with regard to a Bond, the person in whose
19 name that Bond is registered on the Bond Register. For so long as the City uses
20 a book-entry only system under the Letter of Representations, the Registered
21 Owner shall mean the Securities Depository.

22 **“Registration Ordinance”** means City Ordinance 111724 establishing a
23 system of registration for the City’s bonds and other obligations pursuant to
24 Seattle Municipal Code Chapter 5.10, as that chapter now exists or may
25 hereafter be amended.

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1
2 **“Reserve Requirement”** means as of any date the lesser of Maximum
3 Annual Debt Service or 125% of Average Annual Debt Service on the Parity
4 Bonds.

5 **“Reserve Security”** means any Qualified Insurance or Qualified Letter
6 of Credit obtained by the City to satisfy part or all of the Reserve Requirement,
7 and which is not cancelable on less than three years’ notice.

8 **“Reserve Subaccount”** means the subaccount of that name created in
9 the Parity Bond Account for the purpose of securing the payment of the
10 principal of and interest on Parity Bonds.

11 **“Rule 15c2-12”** means Rule 15c2-12 promulgated by the SEC under the
12 Securities Exchange Act of 1934, as amended.

13 **“SEC”** means the United States Securities and Exchange Commission.

14 **“Securities Depository”** means DTC, any successor thereto, any
15 substitute securities depository selected by the City, or the nominee of any of the
16 foregoing. Any successor or substitute Securities Depository must be qualified
17 under applicable laws and regulations to provide the services proposed to be
18 provided by it.

19 **“Serial Bonds”** means Parity Bonds maturing in specified years, for
20 which no Sinking Fund Requirements are mandated.

21 **“Series”** means a series of the Bonds issued pursuant to this ordinance.

22 **“Sinking Fund Requirement”** means, for any calendar year, the
23 principal amount and premium, if any, of Term Bonds required to be purchased,
24 redeemed, paid at maturity or paid into any Parity Bond Account for such
25

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1 calendar year as established by the Parity Bond Legislation authorizing the
2 issuance of such Term Bonds.

3 **“State”** means the State of Washington.

4 **“State Auditor”** means the office of the Auditor of the State or such
5 other department or office of the State authorized and directed by State law to
6 make audits.

7 **“Tax Credit Subsidy Bond”** means any bond that is designated by the
8 City as a tax credit bond pursuant to the Code, and which is further designated
9 as a “qualified bond” under Section 6431 or similar provision of the Code, and
10 with respect to which the City is eligible to claim a tax credit subsidy payment.

11 **“Tax Credit Subsidy Payment”** means a payment by the federal
12 government with respect to a Tax Credit Subsidy Bond.

13 **“Tax-Exempt Bond”** means any Bond, the interest on which is intended
14 on the Issue Date to be excluded from gross income for federal income tax
15 purposes.

16 **“Term Bond”** means any Bond that is issued subject to mandatory
17 redemption prior to its maturity in periodic mandatory redemption payments.

18 **“ULID”** means a utility local improvement district of the City created
19 for the acquisition or construction of additions to and betterments and extensions
20 of the Municipal Water System.

21 **“ULID Assessments”** means all assessments levied and collected in a
22 ULID, if and only if those assessments are pledged to be paid into the Parity
23 Bond Account. ULID Assessments shall include all installments of principal,
24 payments of interest, and penalties and interest on delinquencies, but shall not
25 include any prepaid assessments paid into a construction fund or account.

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1 **“Undertaking”** means the undertaking to provide continuing disclosure
2 entered into pursuant to Section 24, in substantially the form attached as Exhibit
3 B.

4 **“Valuation Date”** means, with respect to any Capital Appreciation
5 Bond, the date or dates set forth in the relevant Parity Bond Legislation or Bond
6 Purchase Contract on which specific Accreted Values are assigned to that
7 Capital Appreciation Bond.

8 **“Variable Interest Rate”** means any variable interest rate or rates to be
9 borne by any Parity Bonds. The method of computing such a variable interest
10 rate shall be set in accordance with the applicable Parity Bond Legislation,
11 which shall specify either (a) the particular period or periods of time or manner
12 of determining such period or periods of time for which each value of such
13 variable interest rate shall remain in effect or (b) the time or times upon which
14 any change in such variable interest rate shall become effective.

15 **“Variable Interest Rate Bond”** means, for any period of time, any
16 Parity Bond that bears a Variable Interest Rate during that period, except that a
17 Parity Bond shall not be treated as a Variable Interest Rate Bond if the net
18 economic effect of interest rates on a particular Parity Bond of a series and
19 interest rates on other Parity Bonds of the same series, as set forth in the
20 applicable Parity Bond Legislation, or the net economic effect of a Payment
21 Agreement with respect to a particular Parity Bond, in either case is to produce
22 obligations that bear interest at a fixed interest rate; and a Parity Bond with
23 respect to which a Payment Agreement is in force shall be treated as a Variable
24 Interest Rate Bond if the net economic effect of the Payment Agreement is to
25 produce an obligation that bears interest at a Variable Interest Rate.

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1 **“Water Fund”** means the fund of that name into which is paid the Gross
2 Revenue of the Municipal Water System.

3 **Section 2. Authorization of Bonds.** The City is authorized to issue
4 Municipal Water System revenue bonds, payable from the sources described in
5 Section 14, in principal amounts not to exceed the limits stated in Section 4, to
6 carry out one or more Refunding Plans, including paying the administrative
7 costs of carrying out each such Refunding Plan, and to pay the costs of issuance
8 of the Bonds. The Bonds may be issued in one or more Series and may be
9 combined with other Parity Bonds authorized separately. The Bonds shall be
10 designated Municipal Water System revenue bonds and shall be numbered
11 separately and shall have any name, year and series or other label as deemed
12 necessary or appropriate by the Director of Finance.

13 **Section 3. Manner of Sale of Bonds.** At least ten days before the
14 date selected by the Director of Finance for the sale of a Series, the Director of
15 Finance shall notify the President of the City Council, in writing, of the Director
16 of Finance’s determination that the issuance of the Series is consistent with the
17 then-current financial policies of the City. The notice shall set forth the reasons
18 for the Director of Finance’s determination. Upon giving such notice, the
19 Director of Finance may provide for the sale of each Series by public sale, or by
20 a negotiated sale, limited offering or private placement with a Purchaser chosen
21 through a selection process acceptable to the Director of Finance. The City
22 Council’s adoption of the Bond Resolution shall be conclusive evidence that
23 proper notice was provided to the President of the City Council.

24 The Director of Finance is authorized to specify a date and time of sale
25 of and a date and time for delivery of each Series; to give notice of that sale; to
26

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1 determine any bid parameters or other bid requirements and criteria for
2 determining the award of the bid; to provide for the use of an electronic bidding
3 mechanism; and to specify other matters in his or her determination necessary,
4 appropriate, or desirable in order to carry out the sale of each Series. Each Series
5 must be sold on Bond Sale Terms in accordance with Section 4.

6 **Section 4. Bond Sale Terms; Bond Resolution.** The Director of
7 Finance is appointed to serve as the City's designated representative in
8 connection with the issuance and sale of the Bonds in accordance with RCW
9 39.46.040(2) and this ordinance. The Director of Finance is authorized to accept,
10 on behalf of the City, an offer to purchase the Bonds on Bond Sale Terms
11 consistent with the parameters set forth in this section. No such acceptance shall
12 be effective until adoption of a Bond Resolution approving the Bond Sale
13 Terms. Once adopted, the Bond Resolution shall be deemed a part of this
14 ordinance as if set forth herein.

15 **(a) Maximum Principal Amount.** The Bonds may be issued in one
16 or more Series and may be combined with other Parity Bonds authorized
17 separately. The aggregate principal amount of the Bonds allocated to each
18 Refunding Plan shall not exceed 125% of the stated principal amount (or the
19 Accreted Value, if applicable) of the Refunded Bonds included in that
20 Refunding Plan.

21 **(b) Date or Dates.** Each Bond shall be dated its Issue Date, as
22 determined by the Director of Finance, which shall be determined by the
23 Director of Finance.

24 **(c) Denominations.** The Bonds shall be issued in Authorized
25 Denominations.

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1 **(d) Interest Rate(s); Payment Dates.** Each Bond shall bear interest
2 from the Issue Date or from the most recent date to which interest has been paid
3 or duly provided for, whichever is later, and shall be payable on dates
4 determined by the Director of Finance. One or more rates of interest shall be
5 established for each maturity of each Series, which rate or rates may be fixed
6 interest rates or Variable Interest Rates. Fixed interest rates shall be computed
7 on the basis of a 360-day year of twelve 30-day months and the net interest cost
8 shall not exceed a weighted average rate of 10% per annum. Principal payments
9 shall commence on a date and shall be payable at maturity or have Sinking Fund
10 Requirements on dates determined by the Director of Finance.

11 **(e) Final Maturity.** The Bonds shall mature no later than 40 years
12 after the Issue Date.

13 **(f) Redemption Rights.** The Bond Sale Terms may include
14 provisions for the optional and mandatory redemption of Bonds determined by
15 the Director of Finance, subject to the following:

16 **(i) Optional Redemption.** Any Bond may be designated as being
17 (A) subject to redemption at the option of the City prior to its
18 maturity date on the dates and at the redemption prices set forth
19 in the Bond Purchase Contract; or (B) not subject to redemption
20 prior to its maturity date. If a Bond is subject to optional
redemption prior to its maturity, it must be subject to such
redemption on one or more dates occurring not more than 10½
years after the Issue Date.

21 **(ii) Mandatory Redemption.** Any Bond may be designated as a
22 Term Bond, subject to mandatory redemption prior to its maturity
23 on the dates and in Sinking Fund Requirements consistent with
Section 7(b).

24 **(g) Price.** The purchase price for each Series shall be acceptable to
25 the Director of Finance.

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1 **(h) Other Terms and Conditions.**

2 (i) As of the Issue Date of each Series, (A) the Finance Director
3 must determine that the Parity Conditions have been met or
4 satisfied, so that such Series may be issued as Parity Bonds, and
5 (B) the City Council must find the Bond Resolution that, in
6 creating the Parity Bond Account and in fixing the amounts to be
7 paid into it in accordance with this ordinance, the City Council
8 has had due regard for the cost of maintenance and operation of
9 the Municipal Water System, and is not setting aside into the
Parity Bond Account a greater amount than in the judgment of
the City Council, based on the rates to be established from time
to time consistent with Section 17(b), will be available over and
above such cost of maintenance and operation.

10 (ii) A Series may not be issued unless the Bond Resolution with
11 respect to that Series sets forth a Refunding Plan and includes the
findings that:

12 (A) The Refunding Plan (1) will pay or discharge the City's
13 obligations with respect to Refundable Bonds that are in
14 arrears or about to become due, and for which sufficient
15 funds are not available; (2) is necessary or in the best
16 interest of the City to modify debt service requirements,
17 sources of payment covenants or other terms of the
18 Refunded Bonds; or (3) will effect a savings to the City,
19 giving consideration to the fixed maturities of the Series
to be issued and of the Refunded Bonds, the costs of
issuance of that Series and the known earned income from
the investment of the sale proceeds and other money of
the City used in the Refunding Plan; and

20 (B) the irrevocable deposit of money and securities with the
21 Refunding Trustee in accordance with the Refunding Plan
22 will discharge and satisfy the obligations of the City as to
23 the Refunded Bonds, including all pledges, charges,
24 trusts, covenants and agreements under the Refunded
Bond Legislation, and immediately upon such deposit, the
Refunded Bonds will no longer be deemed to be
outstanding under the Refunded Bond Legislation.

25 (iii) The Bond Sale Terms for any Series may provide for Bond
26 Insurance, a Reserve Security or other credit enhancement, or for

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1 a Parity Payment Agreement. To that end, the Bond Sale Terms
2 may include such additional terms, conditions and covenants as
3 may be necessary or desirable, including but not limited to:
4 restrictions on investment of Bond proceeds and pledged funds,
5 and requirements to give notice to or obtain the consent of a
6 credit enhancement provider or a Qualified Counterparty.

7 (iv) The Bond Sale Terms must establish the method of providing for
8 the Reserve Requirement, consistent with Section 16(a)(ii).

9 (v) Any Series may be designated or qualified as Tax-Exempt Bonds,
10 Tax Credit Subsidy Bonds, or other taxable bonds, and may
11 include such additional terms and covenants relating to federal
12 tax matters as the Director of Finance deems necessary or
13 appropriate, consistent with Section 23.

14 **Section 5. Bond Registrar; Registration and Transfer of Bonds.**

15 (a) **Registration of Bonds.** The Bonds shall be issued only in
16 registered form as to both principal and interest and shall be recorded on the
17 Bond Register.

18 (b) **Bond Registrar; Transfer and Exchange of Bonds.** The Bond
19 Registrar shall keep, or cause to be kept, sufficient books for the registration and
20 transfer of the Bonds, which shall be open to inspection by the City at all times.
21 The Bond Register shall contain the name and mailing address of the Registered
22 Owner of each Bond and the principal amount and number of each of the Bonds
23 held by each Registered Owner. The Bond Registrar is authorized, on behalf of
24 the City, to authenticate and deliver Bonds transferred or exchanged in
25 accordance with the provisions of the Bonds and this ordinance, to serve as the
26 City's paying agent for the Bonds and to carry out all of the Bond Registrar's
27 powers and duties under this ordinance and the Registration Ordinance.

28 The Bond Registrar shall be responsible for its representations contained
in the Bond Registrar's certificate of authentication on the Bonds. The Bond

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1 Registrar may become an Owner of Bonds with the same rights it would have if
2 it were not the Bond Registrar and, to the extent permitted by law, may act as
3 depository for and permit any of its officers or directors to act as members of, or
4 in any other capacity with respect to, any committee formed to protect the rights
5 of Owners. Bonds surrendered to the Bond Registrar may be exchanged for
6 Bonds in any Authorized Denomination of an equal aggregate principal amount
7 and of the same Series, interest rate and maturity. Bonds may be transferred only
8 if endorsed in the manner provided thereon and surrendered to the Bond
9 Registrar. Any exchange or transfer shall be without cost to the(()) Owner or
10 transferee. The Bond Registrar shall not be obligated to exchange or transfer any
11 Bond during the period between the Record Date and the corresponding interest
12 payment or redemption date.

13 (c) **Securities Depository; Book-Entry Form.** The Bonds initially
14 shall be registered in the name of the Securities Depository. The Bonds so
15 registered shall be held fully immobilized in book-entry form by the Securities
16 Depository in accordance with the provisions of the Letter of Representations.
17 Neither the City nor the Bond Registrar shall have any responsibility or
18 obligation to participants of the Securities Depository or the persons for whom
19 they act as nominees with respect to the Bonds regarding accuracy of any
20 records maintained by the Securities Depository or its participants of any
21 amount in respect of principal of or interest on the Bonds, or any notice which is
22 permitted or required to be given to Owners hereunder (except such notice as is
23 required to be given by the Bond Registrar to the Securities Depository).
24 Registered ownership of a Bond initially held in book-entry form, or any portion
25 thereof, may not be transferred except: (i) to any successor Securities
26

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1 Depository; (ii) to any substitute Securities Depository appointed by the City or
2 such substitute Securities Depository's successor; or (iii) to any person if the
3 Bond is no longer held in book-entry form.

4 Upon the resignation of the Securities Depository from its functions as
5 depository, or upon a City determination to discontinue services of the Securities
6 Depository, the City may appoint a substitute Securities Depository. If (i) the
7 Securities Depository resigns from its functions as depository, and no substitute
8 Securities Depository can be obtained, or (ii) the City determines that the Bonds
9 are to be in certificated form, then ownership of Bonds may be transferred to any
10 person as provided herein and the Bonds no longer shall be held in book-entry
11 form.

12 **Section 6. Payment of Bonds.** Principal of and interest on each
13 Bond shall be payable solely out of the Parity Bond Account, in lawful money
14 of the United States. Principal of and interest on each Bond registered in the
15 name of the Securities Depository is payable in the manner set forth in the Letter
16 of Representations. Interest on each Bond not registered in the name of the
17 Securities Depository is payable by electronic transfer on the interest payment
18 date, or by check or draft of the Bond Registrar mailed on the interest payment
19 date to the Registered Owner at the address appearing on the Bond Register on
20 the Record Date. However, the City is not required to make electronic transfers
21 except pursuant to a request by a Registered Owner in writing received at least
22 ten days prior to the Record Date and at the sole expense of the Registered
23 Owner. Principal of each Bond not registered in the name of the Securities
24 Depository is payable upon presentation and surrender of the Bond by the

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1 Registered Owner to the Bond Registrar. The Bonds are not subject to
2 acceleration under any circumstances.

3 **Section 7. Redemption and Purchase of Bonds.**

4 **(a) Optional Redemption.** All or some of the Bonds may be subject
5 to redemption prior to their stated maturity dates at the option of the City at the
6 times and on the terms approved in accordance with Section 4.

7 **(b) Mandatory Redemption.** If not redeemed or purchased at the
8 City's option prior to maturity, Term Bonds (if any) shall be redeemed, at a
9 price equal to the principal amount thereof to be redeemed plus accrued interest,
10 on the dates and in the Sinking Fund Requirements as set forth in the Bond
11 Resolution. If the City redeems or purchases Term Bonds at the City's option
12 prior to maturity, the Term Bonds so redeemed or purchased (irrespective of
13 their redemption or purchase prices) shall be credited at the par amount thereof
14 against the remaining Sinking Fund Requirements as determined by the Director
15 of Finance. In the absence of a determination by the Director of Finance or other
16 direction in the Bond Resolution, credit shall be allocated on a pro rata basis.

17 **(c) Selection of Bonds for Redemption; Partial Redemption.** If
18 fewer than all of the outstanding Bonds are to be redeemed at the option of the
19 City, the Director of Finance shall select the Series and maturity or maturities to
20 be redeemed. If fewer than all of the outstanding Bonds of a maturity of a
21 Series are to be redeemed, the Securities Depository shall select Bonds
22 registered in the name of the Securities Depository to be redeemed in
23 accordance with the Letter of Representations, and the Bond Registrar shall
24 select all other Bonds to be redeemed randomly in such manner as the Bond
25 Registrar shall determine. All or a portion of the principal amount of any Bond
26

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1 that is to be redeemed may be redeemed in any Authorized Denomination. If
2 less than all of the outstanding principal amount of any Bond is redeemed, upon
3 surrender of that Bond to the Bond Registrar, there shall be issued to the
4 Registered Owner, without charge, a new Bond (or Bonds, at the option of the
5 Registered Owner) of the same Series, maturity and interest rate in any
6 Authorized Denomination in the aggregate principal amount to remain
7 outstanding.

8 (d) **Purchase.** The City reserves the right and option to purchase any
9 or all of the Bonds offered to the City at any time at any price acceptable to the
10 City plus accrued interest to the date of purchase.

11 **Section 8. Notice of Redemption.** The City shall cause notice of
12 any intended redemption of Bonds to be given not less than 20 nor more than 60
13 days prior to the date fixed for redemption by first-class mail, postage prepaid,
14 to the Registered Owner of any Bond to be redeemed at the address appearing
15 on the Bond Register on the Record Date, and the requirements of this sentence
16 shall be deemed to have been fulfilled when notice has been mailed as so
17 provided, whether or not it is actually received by the Owner of any Bond.
18 Interest on Bonds called for redemption shall cease to accrue on the date fixed
19 for redemption unless the Bond or Bonds called are not redeemed when
20 presented pursuant to the call.

21 In the case of an optional redemption, the notice may state that the City
22 retains the right to rescind the redemption notice and the related optional
23 redemption of Bonds by giving a notice of rescission to the affected Registered
24 Owners at any time prior to the scheduled optional redemption date. Any notice
25 of optional redemption that is rescinded by the Director of Finance shall be of no
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1 effect, and the Bonds for which the notice of optional redemption has been
2 rescinded shall remain outstanding.

3 **Section 9. Failure to Pay Bonds.** If any Bond is not paid when
4 properly presented at its maturity or redemption date, the City shall be obligated
5 to pay, solely from the Parity Bond Account and the other sources pledged in
6 this ordinance, interest on that Bond at the same rate provided in that Bond from
7 and after its maturity or redemption date until that Bond, principal, premium, if
8 any and interest, is paid in full or until sufficient money for its payment in full is
9 on deposit in the Parity Bond Account and that Bond has been called for
10 payment by giving notice of that call to the Registered Owner of that Bond.

11 **Section 10. Form and Execution of Bonds.** The Bonds shall be
12 typed, printed or reproduced in a form consistent with the provisions of this
13 ordinance, the Bond Resolution and State law, shall be signed by the Mayor and
14 Director of Finance, either or both of whose signatures may be manual or in
15 facsimile, and the seal of the City or a facsimile reproduction thereof shall be
16 impressed or printed thereon.

17 Only Bonds bearing a certificate of authentication in substantially the
18 following form (with the designation, year and Series adjusted consistent with
19 this ordinance), manually signed by the Bond Registrar, shall be valid or
20 obligatory for any purpose or entitled to the benefits of this ordinance: "This
21 Bond is one of the fully registered The City of Seattle, Washington, [Water
22 System Revenue Refunding Bonds], [Year], [Series], described in [this
23 ordinance]." The authorized signing of a certificate of authentication shall be
24 conclusive evidence that the Bond so authenticated has been duly executed,
25 authenticated and delivered and is entitled to the benefits of this ordinance.
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1 If any officer whose manual or facsimile signature appears on a Bond
2 ceases to be an officer of the City authorized to sign bonds before the Bond
3 bearing his or her manual or facsimile signature is authenticated or delivered by
4 the Bond Registrar or issued by the City, that Bond nevertheless may be
5 authenticated, delivered and issued and, when authenticated, issued and
6 delivered, shall be as binding on the City as though that person had continued to
7 be an officer of the City authorized to sign bonds. Any Bond also may be
8 signed on behalf of the City by any person who, on the actual date of signing of
9 the Bond, is an officer of the City authorized to sign bonds, although he or she
10 did not hold the required office on the date of issuance of the Bonds.

11 **Section 11. Deposit and Use of Proceeds.** Unless provided
12 otherwise in the Bond Resolution, the principal proceeds and premium, if any
13 received from the sale of each Series, in the amount necessary to carry out the
14 Refunding Plan (including payment of costs of issuance and administrative costs
15 of carrying out the refunding) approved in connection with such Series, shall be
16 deposited with the Refunding Trustee and used in accordance with the
17 provisions of Section 12 to discharge the obligations of the City relating to the
18 Refunded Bonds.

19 To the extent not necessary to carry out the Refunding Plan, excess
20 proceeds received from the sale of a Series (including interest earnings thereon)
21 shall be deposited into such funds, subfunds, accounts and subaccounts as the
22 Director of Finance shall determine, consistent with the Bond Resolution. The
23 Director of Finance may apply any amounts remaining after the costs of
24 issuance and the administrative costs of the Refunding Plan have been paid (or
25 after the City Council has determined that the expenditure of such amounts for
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1 those purposes is no longer necessary or appropriate) to pay principal of and
2 interest on that Series or for any other purposes approved by ordinance or by the
3 Bond Resolution.

4 **Section 12. The Refunding Plan.**

5 **(a) Approval of Refunding Plan; Appointment of Refunding**
6 **Trustee.** The Bond Resolution shall approve a Refunding Plan for each Series,
7 which shall provide for the issuance of the Series, shall identify the Refundable
8 Bonds to be refunded, shall allocate the Bonds among the various Refunded
9 Bonds, shall describe the method for carrying out the refunding of the Refunded
10 Bonds, and shall appoint the Refunding Trustee. The Refunding Plan shall be
11 carried out, and proceeds of the Series shall be applied, in accordance with this
12 ordinance, the respective Refunded Bond Legislation, the Bond Resolution and
13 the laws of the State.

14 **(b) Acquisition of Acquired Obligations.** To the extent practicable,
15 the Refunding Plan shall provide for the Refunding Trustee's purchase of the
16 Acquired Obligations, bearing such interest and maturing as to principal and
17 interest in such amounts and at such times so as to provide, together with a
18 beginning cash balance, if necessary, for the payment of the amounts required to
19 be paid by the Refunding Plan. The Acquired Obligations shall be listed and
20 more particularly described in a schedule attached to the Refunding Trust
21 Agreement, but are subject to substitution as set forth in subsection (c) below.

22 **(c) Substitution of Acquired Obligations.** The City reserves the
23 right at any time to substitute cash or Government Obligations for the Acquired
24 Obligations if the City obtains a verification by a nationally recognized
25 independent certified public accounting firm reasonably acceptable to the
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1 Refunding Trustee confirming that the payments of principal of and interest on
2 the substitute Government Obligations, if paid when due, together with the cash
3 to be held by the Refunding Trustee, will be sufficient to carry out the
4 Refunding Plan. If the applicable Series (or series of the Refunded Bonds) were
5 issued as Tax-Exempt Bonds, then prior to such substitution, the City must also
6 obtain an opinion from Bond Counsel to the effect that the disposition and
7 substitution or purchase of such securities will not cause the interest on the
8 applicable Series (or series of the Refunded Bonds) issued as Tax-Exempt
9 Bonds to be included in gross income for federal income tax purposes and that
10 such disposition and substitution or purchase is in compliance with the statutes
11 and regulations applicable to the Series. Any surplus money resulting from the
12 sale, transfer, other disposition or redemption of the Acquired Obligations and
13 the substitutions therefor shall be released from the trust estate and may be used
14 for any lawful City purpose.

15 **(d) Refunding Trust Agreement.** In connection with each Series,
16 the Director of Finance is authorized to execute a Refunding Trust Agreement
17 with a Refunding Trustee, setting forth the duties, obligations and
18 responsibilities of the Refunding Trustee in connection with carrying out the
19 Refunding Plan. Each Refunding Trust Agreement shall, among other things,
20 authorize and direct the Refunding Trustee to use the money deposited with it to
21 purchase the Acquired Obligations (or substitute obligations) and to apply such
22 money along with the maturing principal of and interest on such obligations to
23 make the payments required to be made by the Refunding Plan. The money
24 deposited with the Refunding Trustee, including the Acquired Obligations and
25 any investment earnings, shall be held irrevocably, invested and applied in
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1 accordance with the provisions of the respective Refunded Bond Legislation,
2 this ordinance, the Bond Resolution, chapter 39.53 RCW and other applicable
3 State law. All administrative costs (including without limitation, all necessary
4 and proper fees, compensation and expenses of the Refunding Trustee and all
5 other costs incidental to the setting up of the escrow to accomplish the
6 Refunding Plan) and costs of issuance may, in the discretion of the Director of
7 Finance, be paid out of the amounts deposited with the Refunding Trustee or
8 other available money of the City.

9 **Section 13. Call for Redemption of the Refunded Bonds.** The City
10 may in the Bond Resolution call, or authorize the Director of Finance to call, the
11 Refunded Bonds for redemption. Such call for redemption of the Refunded
12 Bonds shall identify the Refunded Bonds, call dates and redemption prices
13 (expressed as a percentage of the stated principal amount, plus accrued interest),
14 and shall be irrevocable after the Issue Date of the applicable Series. The proper
15 City officials are authorized and directed to give or cause to be given such
16 notices as required, at the times and in the manner required pursuant to the
17 Refunded Bond Legislation, in order to carry out the Refunding Plan.

18 **Section 14. Security for the Bonds; Parity with other Bonds.** The
19 Bonds shall be special limited obligations of the City payable from and secured
20 solely by the Net Revenue and ULID Assessments, and by money in the Parity
21 Bond Account and the subaccounts therein. The Net Revenue and all ULID
22 Assessments, and all money and investments held in the Parity Bond Account,
23 the Rate Stabilization Account and the Construction Account (except money and
24 investments held in a separate fund or account created for the purpose of
25 compliance with rebate requirements under the Code), are pledged to the
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1 payment of the Parity Bonds and to make payments into the Reserve Subaccount
2 required by this ordinance and the Parity Bond Legislation. This pledge shall
3 constitute a charge and lien upon the Net Revenue prior and superior to any
4 other charges whatsoever.

5 The Bonds shall be on a parity with the Outstanding Parity Bonds and all
6 Future Parity Bonds, without regard to date of issuance or authorization and
7 without preference or priority of right or lien. Nothing in this ordinance prevents
8 the City from issuing revenue bonds or other obligations which are a charge or
9 lien upon the Net Revenues subordinate to the payments required to be made
10 from Net Revenue into the Parity Bond Account and the subaccounts therein.

11 The Bonds shall not constitute general obligations of the City, the State
12 or any political subdivision of the State or a charge upon any general fund or
13 upon any money or other property of the City, the State or any political
14 subdivision of the State not specifically pledged by this ordinance.

15 **Section 15. Priority Expenditure of Gross Revenue; Flow of**
16 **Funds.** The Gross Revenue shall be used for the following purposes only and
17 shall be applied in the following order of priority:

- 18 (a) To pay the Operating and Maintenance Expense;
- 19 (b) To pay interest on Parity Bonds and net payments on Parity
20 Payment Agreements when due;
- 21 (c) To pay the principal of Parity Bonds as it comes due at
22 maturity or to meet Sinking Fund Requirements, and to make payments due
23 under any agreement with a provider of a Reserve Security which agreement
24 requires those payments to be treated on a parity of lien with the Parity Bonds;
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1 (d) To make all payments required to be made into the Reserve
2 Subaccount, to make all payments required to be made under any agreement
3 with a provider of a Reserve Security, which agreement requires those
4 payments to be treated on a parity of lien with the payments required to be
5 made into the Reserve Subaccount, and to make the deposits required to be
6 made into a special account in the Water Fund upon the expiration of a
7 Reserve Security, in accordance with Section 16(a)(ii);

8 (e) To make all payments required to be made into any revenue
9 bond, note, warrant or other revenue obligation redemption fund, debt service
10 account or reserve account created to pay or secure the payment of the
11 principal of and interest on any revenue bonds, notes, warrants or other
12 obligations of the City having a lien upon the revenue of the Municipal Water
13 System subordinate to the lien thereon for the payment of the principal of
14 and interest on the Parity Bonds; and

15 (f) To retire by redemption or purchase any outstanding revenue
16 bonds or other revenue obligations of the Municipal Water System; to make
17 necessary additional betterments, improvements and repairs to or extensions and
18 replacements of the Municipal Water System; to pay City taxes or other
19 payments in lieu of taxes payable from Gross Revenue; to make deposits into
20 the Rate Stabilization Account; or for any other lawful Municipal Water
21 System purposes.

22 **Section 16. Parity Bond Account.** The Parity Bond Account is
23 divided into two subaccounts: the Principal and Interest Subaccount and the
24 Reserve Subaccount. The Director of Finance may create sinking fund
25 subaccounts or other subaccounts in the Parity Bond Account for the payment or
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1 securing the payment of Parity Bonds, as long as the maintenance of such
2 accounts does not conflict with the rights of the Owners of Parity Bonds.

3 **(a) Required Payments Into Parity Bond Account.** So long as any
4 Parity Bonds are outstanding, the City shall set aside and pay into the Parity
5 Bond Account all ULID Assessments on their collection and, out of the Net
6 Revenue, certain fixed amounts without regard to any fixed proportion, namely:

7 (i) Into the Principal and Interest Subaccount (A) upon receipt
8 thereof, the accrued interest, if any, received by the City from the
9 Purchaser, and (B) on or before each interest or principal and
10 interest payment date of any Parity Bonds an amount which,
11 together with other money on deposit therein, will be sufficient to
12 pay the interest, or principal and interest and Sinking Fund
 Requirements, to become due and payable on the Parity Bonds on
 that payment date, and net payments due on Parity Payment
 Agreements; and

13 (ii) Into the Reserve Subaccount an amount necessary to provide for
14 the Reserve Requirement for the Parity Bonds within the time
15 and in the manner required by this ordinance and the Parity Bond
16 Legislation. The amount necessary to satisfy the Reserve
17 Requirement upon the issuance of a Series may be funded (i) on
18 the Issue Date, by a deposit from the bond sale proceeds or a
19 Reserve Security, or (ii) in annual installments from Net Revenue
20 so that the Reserve Requirement is fully funded by the fifth
21 anniversary of the Issue Date. The manner of funding the Reserve
22 Requirement for the Bonds shall be set forth in the Bond
23 Resolution. For the purpose of determining the amount credited
24 to the Reserve Subaccount, obligations in which money in the
25 Reserve Subaccount has been invested shall be valued at the
26 greater of cost or accreted value.

27 The City may provide all or any part of the Reserve Requirement
28 through a Reserve Security, subject to the following: (A) the
 amount available to be drawn upon under a Reserve Security
 shall be credited against the Reserve Requirement; and (B) on
 receipt of a notice of cancellation of any Reserve Security, the
 City shall either (1) substitute a Reserve Security in the amount
 required to make up the deficiency created in the Reserve

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1 Subaccount, or (2) create a special account in the Water Fund and
 2 deposit therein, on or before the 25th day of each of the 36
 3 succeeding calendar months (commencing with the 25th day of
 4 the calendar month next following the date of the notice) 1/36th
 5 of the amount sufficient, together with other money and
 6 investments on deposit in the Reserve Subaccount, to equal the
 7 Reserve Requirement in effect as of the date the cancellation
 8 becomes effective. Amounts on deposit in that special account
 9 shall not be available to pay debt service on Parity Bonds or for
 10 any other purpose of the City, and shall be transferred to the
 11 Reserve Subaccount on the effective date of any cancellation of a
 12 Reserve Security to make up all or part of the deficiency caused
 13 thereby. Amounts in that special account or in the Reserve
 14 Subaccount may be transferred back to the Water Fund and used
 15 for any purpose if and when a substitute Reserve Security is
 16 obtained.

17 The Director of Finance may transfer any money from any funds or accounts of
 18 the City legally available therefor, except bond redemption funds, refunding
 19 escrow funds or defeasance funds, to meet the required payments to be made
 20 into the Parity Bond Account. The Director of Finance may provide for the
 21 purchase, redemption or defeasance of any Parity Bonds by the use of money on
 22 deposit in any subaccount in the Parity Bond Account as long as the money
 23 remaining in those subaccounts is sufficient to satisfy the required deposits in
 24 those subaccounts for the remaining Parity Bonds.

25 (b) **Reserve Subaccount.** The City covenants that it will at all times
 26 so long as any Parity Bonds are outstanding, maintain the Reserve Subaccount at
 27 the Reserve Requirement (taking into account scheduled payments to fund the
 28 Reserve Requirement over time), as it is adjusted from time to time, except for
 withdrawals as authorized by this ordinance. The Director of Finance may make
 withdrawals of cash from the Reserve Subaccount in the event of a deficiency in
 the Principal and Interest Subaccount to meet maturing installments of either
 principal (or Sinking Fund Requirements) or interest. Any deficiency created in

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1 the Reserve Subaccount by reason of any such withdrawal shall, within 12
2 months, be made up from ULID Assessments and Net Revenue available after
3 making necessary provisions for the required payments into the Principal and
4 Interest Subaccount. The money in the Reserve Subaccount may be applied to
5 the payment of the last outstanding Parity Bonds, and when the total amount in
6 the Parity Bond Account (including investment earnings) equals the total
7 amount of principal and interest for all then-outstanding Parity Bonds to the last
8 maturity thereof, no further payment need be made into the Parity Bond
9 Account. Money in the Reserve Subaccount (including investment earnings) in
10 excess of the Reserve Requirement may be withdrawn and deposited in the
11 Principal and Interest Subaccount and spent for the purpose of retiring Parity
12 Bonds or may be deposited in any other fund or account and spent for any other
13 lawful Municipal Water System purpose.

14 **(c) Investment of Money in Parity Bond Account.** All money in
15 the Parity Bond Account may be kept in cash or invested in Permitted
16 Investments maturing not later than the date when needed (for investments in the
17 Principal and Interest Subaccount) or the last maturity of any outstanding Parity
18 Bonds (for investments in the Reserve Subaccount). In no event shall any money
19 in the Parity Bond Account or any other money reasonably expected to be used
20 to pay principal and/or interest on the Parity Bonds be invested at a yield which
21 would cause any Series issued as Tax-Exempt Bonds or Tax Credit Subsidy
22 Bonds to be arbitrage bonds within the meaning of Section 148 of the Code.
23 Income from investments in the Principal and Interest Subaccount shall be
24 deposited in that subaccount.

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1 Income from investments in the Reserve Subaccount shall be deposited
2 in that subaccount until the amount therein is equal to the Reserve Requirement
3 for all Parity Bonds, and thereafter shall be deposited in the Principal and
4 Interest Subaccount. Notwithstanding the provisions for deposit or retention of
5 earnings in the Parity Bond Account, any earnings which are subject to a federal
6 tax or rebate requirement may be withdrawn from the Parity Bond Account for
7 deposit in a separate fund or account for that purpose. If no longer required for
8 such rebate, money in that separate fund or account shall be returned to the
9 Parity Bond Account.

10 **(d) Failure to Deposit Money in Parity Bond Account.** If the City
11 fails to set aside and pay into the Parity Bond Account, or the subaccounts
12 therein, the amounts set forth above, the registered owner of any of the
13 outstanding Parity Bonds may bring action against the City for failure to make
14 the required deposits to the Parity Bond Account only in accordance with
15 Section 26 regarding Events of Default.

16 **Section 17. Parity Bond Covenants.** The City covenants with the
17 owner of each Bond at any time outstanding, as follows:

18 **(a) Operation and Maintenance.** It will pay all Operating and
19 Maintenance Expense and otherwise meet the obligations of the City under this
20 ordinance. It will at all times maintain, preserve and keep the Municipal Water
21 System in good repair, working order and condition, will make all necessary and
22 proper additions, betterments, renewals and repairs thereto, and improvements,
23 replacements and extensions thereof so that at all times the business carried on
24 in connection therewith will be properly and advantageously conducted, and will
25 at all times operate or cause to be operated the properties of the Municipal Water
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1 System and the business in connection therewith in an efficient manner and at a
2 reasonable cost.

3 **(b) Establishment and Collection of Rates and Charges.** It will
4 establish, maintain, revise as necessary, and collect rates and charges for
5 services and facilities provided by the Municipal Water System which will be
6 fair and equitable, and will adjust those rates and charges from time to time so
7 that:

- 8 (i) The Gross Revenue will be sufficient to (A) pay all Operating
9 and Maintenance Expense, (B) pay when due all amounts that the
10 City is obligated to pay into the Parity Bond Account and the
11 subaccounts therein, and (C) pay all taxes, assessments or other
12 governmental charges lawfully imposed on the Municipal Water
13 System or the revenue therefrom or payments in lieu thereof and
14 any and all other amounts which the City may now or hereafter
15 become obligated to pay from the Gross Revenue by law or
16 contract; and
- 17 (ii) The Adjusted Net Revenue in each fiscal year will be at least
18 equal to the Coverage Requirement; and
- 19 (iii) Except to aid the poor or infirm and for fire-fighting purposes, it
20 will not furnish or supply or permit the furnishing or supplying of
21 any service or facility in connection with the operation of the
22 Municipal Water System free of charge to any person, firm or
23 corporation, public or private.

24 The failure of the City to comply with subparagraphs (i) and (ii) above shall not
25 be an Event of Default if the City promptly retains an Independent Utility
26 Consultant to recommend to the City Council adjustments in the rates of the
27 Municipal Water System necessary to meet the requirements of those
28 subparagraphs and if the City Council adopts the recommended modifications
within 180 days of the date the failure became known to the City Council.

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1 **(c) Sale or Disposition of the Municipal Water System.** It will
2 sell, transfer or otherwise dispose of any of the works, plant, properties, facilities
3 or other part of the Municipal Water System or any real or personal property
4 comprising a part of the Municipal Water System only upon approval by
5 ordinance and only consistent with one or more of the following:

- 6 (i) The City in its discretion may carry out such a sale, transfer or
7 disposition (each, as used in this section, a “transfer”) if the
8 facilities or property transferred are not material to the operation
9 of the Municipal Water System, have become unserviceable,
10 inadequate, obsolete or unfit to be used in the operation of the
11 Municipal Water System, or are no longer necessary, material or
12 useful to the operation of the Municipal Water System; or
- 13 (ii) The City in its discretion may carry out such a transfer if the
14 aggregate depreciated cost value of the facilities or property
15 being transferred under this subsection in any fiscal year
16 comprises no more than 3% of the total assets of the Municipal
17 Water System; or
- 18 (iii) The City in its discretion may carry out such a transfer if the City
19 receives from the transferee an amount equal to the fair market
20 value of the portion of the Municipal Water System transferred.
21 As used in this subparagraph, “fair market value” means the most
22 probable price that a property should bring in a competitive and
23 open market under all conditions requisite to a fair sale, the
24 willing buyer and willing seller each acting prudently and
25 knowledgeably and assuming that the price is not affected by
26 coercion or undue stimulus. The proceeds of the transfer shall be
27 used (i) to promptly redeem, or irrevocably set aside for the
28 redemption of, Parity Bonds, and/or (ii) to provide for part of the
cost of additions to and betterments and extensions of the
Municipal Water System. Before any such transfer under this
subsection, the City must obtain a certificate of an Independent
Utility Consultant to the effect that in his or her professional
opinion, upon such transfer and the use of proceeds of the
transfer as proposed by the City, the remaining Municipal Water
System will retain its operational integrity and the Adjusted Net
Revenue of the Municipal Water System will be at least equal to
the Coverage Requirement during the five fiscal years following

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1 the fiscal year in which the transfer is to occur, taking into
2 account, (A) the reduction in revenue resulting from the transfer;
3 (B) the use of any proceeds of the transfer for the redemption of
4 Parity Bonds, (C) the Independent Utility Consultant's estimate
5 of revenue from customers anticipated to be served by any
6 additions to and betterments and extensions of the Municipal
7 Water System financed in part by the proposed portion of the
8 proceeds of the transfer, and (D) any other adjustment permitted
9 in the preparation of a certificate under Section 18(a)(vi)(B).
10 Before such a transfer, the City also must obtain confirmation
11 from each Rating Agency to the effect that the rating then in
12 effect will not be reduced or withdrawn upon such transfer. The
13 amount required to be paid to the City may be reduced by any
14 "equity credits" or similar amounts based on prior capital
15 contributions or other payments to the City which, under any
16 contract between the City and the transferee, are allowed as a
17 setoff against the transfer price that would otherwise be payable
18 to the City.

19 ***Upon the redemption or defeasance of all outstanding 2003 Bonds and***
20 ***2004 Bonds: the City may sell, transfer or otherwise dispose of any of the***
21 ***works, plant, properties, facilities or other part of the Municipal Water System***
22 ***or any real or personal property comprising a part of the Municipal Water***
23 ***System only consistent with one or more of the following:***

- 24 (i) *The City in its discretion may carry out such a sale, transfer or*
25 *disposition (each, a "transfer") if the facilities or property*
26 *transferred are not material to the operation of the Municipal*
27 *Water System, or shall have become unserviceable, inadequate,*
28 *obsolete or unfit to be used in the operation of the Municipal*
Water System or are no longer necessary, material or useful to
the operation of the Municipal Water System; or
- (ii) *The City in its discretion may carry out such a transfer if the*
aggregate depreciated cost value of the facilities or property
being transferred under this subsection in any fiscal year
comprises no more than 5% of the total assets of the Municipal
Water System; or
- (iii) *The City in its discretion may carry out such a transfer if the*
proceeds from such transfer are used to acquire new useful

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1 *operating facilities or properties of the Municipal Water System,*
2 *or are used to retire outstanding Parity Bonds or other revenue*
3 *obligations of the Municipal Water System, if, at the time of such*
4 *transfer, the City has on file a certificate of both the Director of*
5 *Finance and the Director of Seattle Public Utilities (or any*
6 *officer who succeeds to substantially all of the responsibilities of*
7 *either office) demonstrating that in their opinion, upon such*
8 *transfer and the use of proceeds of the transfer as proposed by*
9 *the City, the remaining facilities of the Municipal Water System*
10 *will retain their operational integrity and, based on the financial*
11 *statements for the most recent fiscal year available, the proposed*
12 *transfer would not prevent the Municipal Water System from*
13 *complying with the Coverage Requirement during the five fiscal*
14 *years following the fiscal year in which the transfer is to occur.*
15 *The certificate shall take into account, (A) the reduction in*
16 *revenue and expenses, if any, resulting from the transfer; (B) the*
17 *use of any proceeds of the transfer for the redemption of Parity*
18 *Bonds, (C) the estimate of revenue from customers anticipated to*
19 *be served by any additions to and betterments and extensions of*
20 *the Municipal Water System financed in part by the proposed*
21 *portion of the proceeds of the transfer, and (D) any other*
22 *adjustment permitted in the preparation of a certificate under*
23 *Section 18(a)(vi)(B). Before such a transfer, the City also must*
24 *obtain confirmation from each of the Rating Agencies to the*
25 *effect that the rating then in effect will not be reduced or*
26 *withdrawn upon such transfer.*

16 **(d) Liens Upon the Municipal Water System.** Except as otherwise
17 provided in this ordinance, it will not at any time create or permit to accrue or to
18 exist any lien or other encumbrance or indebtedness upon the Gross Revenue or
19 any part thereof, prior or superior to the lien thereon for the payment of the
20 Parity Bonds, and will pay and discharge, or cause to be paid and discharged,
21 any and all lawful claims for labor, materials or supplies which, if unpaid, might
22 become a lien or charge upon the Gross Revenue or any part thereof, prior or
23 superior to, or on a parity with, the lien of the Parity Bonds, or which might
24 impair the security of the Parity Bonds.

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1 **(e) Books and Records.** It will keep proper books, records and
2 accounts with respect to the operations, income and expenditures of the
3 Municipal Water System in accordance with generally accepted accounting
4 practices relating to the municipal utilities and any applicable rules and
5 regulations prescribed by the State, and will cause those books, records and
6 accounts to be audited on an annual basis by the State Auditor (or, if such audit
7 is not made by the State Auditor within 270 days after the close of any fiscal
8 year of the City, by a certified public accountant selected by the City). It will
9 prepare annual financial and operating statements as soon as practicable after the
10 close of each fiscal year showing in reasonable detail the financial condition of
11 the Municipal Water System as of the close of the previous year, and the income
12 and expenses for such year, including the amounts paid into the Parity Bond
13 Account and into any and all special funds or accounts created pursuant to the
14 provisions of this ordinance, the status of all funds and accounts as of the end of
15 such year, and the amounts expended for maintenance, renewals, replacements
16 and capital additions to the Municipal Water System. Such statements shall be
17 sent to the owner of any Parity Bond upon written request received by the City.
18 The City may charge a reasonable cost for providing such financial statements.

19 **(f) Collection of Delinquent Accounts.** On at least an annual basis,
20 it will determine all accounts that are delinquent and will take such actions as
21 the City determines are reasonably necessary to enforce payment of those
22 delinquent accounts.

23 **(g) Maintenance of Insurance.** It at all times will carry fire and
24 extended coverage, public liability and property damage and such other forms of
25 insurance with responsible insurers and with policies payable to the City on such
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1 of the buildings, equipment, works, plants, facilities and properties of the
2 Municipal Water System as are ordinarily carried by municipal or privately
3 owned utilities engaged in the operation of like systems, and against such claims
4 for damages as are ordinarily carried by municipal or privately owned utilities
5 engaged in the operation of like systems, or it will self-insure or will participate
6 in an insurance pool or pools with reserves adequate, in the reasonable judgment
7 of the City, to protect the Municipal Water System and the Owners of the Parity
8 Bonds against loss.

9 (h) **Condemnation Awards and Insurance Proceeds.** If the City
10 receives any condemnation awards or proceeds of an insurance policy in
11 connection with any loss of or damage to any property of the Municipal Water
12 System, it shall apply the condemnation award or insurance proceeds, in the
13 City's sole discretion, either (i) to the cost of replacing or repairing the lost or
14 damaged properties, (ii) to the payment, purchase or redemption of Parity
15 Bonds, or (iii) to the cost of improvements to the Municipal Water System.

16 **Section 18. Future Parity Bonds.**

17 (a) The City reserves the right to issue Future Parity Bonds and to
18 enter into Parity Payment Agreements for purposes of the Municipal Water
19 System or to refund a portion of the Parity Bonds if the following conditions are
20 met and complied with at the time of the issuance of those Future Parity Bonds
21 or entering into the Parity Payment Agreement:

- 22 (i) There must be no deficiency in the Parity Bond Account and no
23 Event of Default with respect to any Parity Bonds shall have
24 occurred and be continuing.
- 25 (ii) The Future Parity Bond Legislation must provide that all ULID
26 Assessments shall be paid directly into the Parity Bond Account.

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- 1 (ii) The Future Parity Bond Legislation must provide for the payment
2 of the principal thereof and interest thereon out of the Parity
3 Bond Account.
- 4 (iv) The Future Parity Bond Legislation must provide for the payment
5 of any Sinking Fund Requirements from money in the Principal
6 and Interest Subaccount.
- 7 (v) The Future Parity Bond Legislation must provide for the deposit
8 into the Reserve Subaccount of (A) an amount, if any, necessary
9 to fund the Reserve Requirement upon the issuance of those
10 Future Parity Bonds from Future Parity Bond proceeds or other
11 money legally available; (B) one or more Reserve Securities or
12 an amount plus Reserve Securities necessary to fund the Reserve
13 Requirement upon the issuance of those Future Parity Bonds, or
14 (C) amounts necessary to fund the Reserve Requirement from
15 ULID Assessments and Net Revenue within five years from the
16 date of issuance of those Future Parity Bonds, in five
17 approximately equal annual payments.
- 18 (vi) There shall be on file with the City either:
- 19 (A) A certificate of the Director of Finance demonstrating that
20 during any 12 consecutive calendar months out of the
21 immediately preceding 24 calendar months Adjusted Net
22 Revenue was at least equal to the Coverage Requirement
23 for all Parity Bonds plus the Future Parity Bonds
24 proposed to be issued (and assuming that the debt service
25 of the proposed Future Parity Bonds for that 12 month
26 period was the Average Annual Debt Service for those
27 proposed bonds); or
- 28 (B) A certificate of the Director of Finance and the Director
of Seattle Public Utilities (or any officer who succeeds to
substantially all of the responsibilities of that office), that
in their opinion, Adjusted Net Revenue for the five fiscal
years next following the earlier of (1) the end of the
period during which interest on those Future Parity Bonds
is to be capitalized or, if no interest is capitalized, the
fiscal year in which the Future Parity Bonds are issued, or
(2) the date on which substantially all new facilities
financed with those Future Parity Bonds are expected to
commence operations, such Adjusted Net Revenue further
adjusted as provided in paragraphs (1) through (4) below,

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1 will be at least equal to the Coverage Requirement. That
2 certificate may take into account the following
adjustments:

- 3 (1) Any changes in rates in effect and being charged,
4 or rates expected to be charged in accordance with
5 a program of specific rates, rate levels or increases
6 in overall rate revenue approved by ordinance or
7 resolution;
- 8 (2) Net revenue from customers of the Municipal
9 Water System who have become customers during
10 the 12 consecutive month period or thereafter, and
11 their estimate of net revenue from any customers
12 to be connected to the Municipal Water System
13 who have paid the required connection charges,
14 adjusted to reflect one year's net revenue from
15 those customers;
- 16 (3) Their estimate of net revenue from customers
17 anticipated to be served by facilities or
18 improvements financed in substantial part by those
19 Future Parity Bonds (or additional Parity Bonds
20 expected to be issued during the five-year period);
21 and
- 22 (4) Net revenue from any person, firm, corporation or
23 municipal corporation under any executed contract
24 for water or other utility service, which revenue
25 was not included in the historical Net Revenue of
26 the Municipal Water System.

27 If the Future Parity Bonds proposed to be issued are for
28 the sole purpose of refunding Parity Bonds, no such
coverage certification shall be required if the Adjusted
Annual Debt Service on the Parity Bonds after the
issuance of the Future Parity Bonds is not, for any year in
which the Parity Bonds being refunded were outstanding,
more than \$5,000 over the Adjusted Annual Debt Service
on the Parity Bonds prior to the issuance of those Future
Parity Bonds.

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1 (b) Nothing contained herein shall prevent the City from issuing
2 Future Parity Bonds to refund maturing Parity Bonds, money for the payment of
3 which is not otherwise available, or revenue bonds that are a charge or lien upon
4 the Gross Revenue subordinate to the charge or lien of the Parity Bonds, or from
5 pledging the payment of ULID assessments into a bond redemption fund created
6 for the payment of the principal of and interest on those subordinate lien bonds
7 as long as such ULID assessments are levied for improvements constructed from
8 the proceeds of those subordinate lien bonds.

9 **Section 19. Rate Stabilization Account.** The Rate Stabilization
10 Account has been created as a separate account in the Water Fund. The City
11 may at any time, as determined by the Director of Finance, deposit in the Rate
12 Stabilization Account, Gross Revenue and any other money received by the
13 Municipal Water System and available for this purpose, consistent with
14 Section 15. The Director of Finance may, upon authorization by resolution
15 of the City Council, withdraw any or all of the money from the Rate
16 Stabilization Account for inclusion in the Adjusted Gross Revenue for any
17 fiscal year. Such deposits or withdrawals may be made up to and including
18 the date 90 days after the end of the fiscal year for which the deposit or
19 withdrawal will be included as Adjusted Gross Revenue. No deposit of Gross
20 Revenue may be made into the Rate Stabilization Account to the extent that
21 such deposit would prevent the City from meeting the Coverage Requirement in
22 the relevant fiscal year.

23 **Section 20. Separate Utility Systems.** The City may create, acquire,
24 construct, finance, own and operate one or more additional systems for water
25 supply, transmission or other commodity or service relating to the Municipal
26

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1 Water System. The revenue of that separate utility system shall not be included
2 in the Gross Revenue of the Municipal Water System and may be pledged to the
3 payment of revenue obligations issued to purchase, construct, condemn or
4 otherwise acquire or expand the separate utility system. Neither the Gross
5 Revenue nor the Net Revenue shall be pledged by the City to the payment of
6 any obligations of a separate utility system except (a) as a Contract Resource
7 Obligation, or (b) with respect to the Net Revenue, on a basis subordinate to the
8 lien of the Parity Bonds on that Net Revenue.

9 **Section 21. Contract Resource Obligations.** The City may at any
10 time enter into one or more Contract Resource Obligations for the acquisition,
11 from facilities to be constructed, of water supply, transmission or other
12 commodity or service relating to the Municipal Water System, as follows:

13 (a) The City may determine that, and may agree under a Contract
14 Resource Obligation to provide that, all payments under that Contract Resource
15 Obligation (including payments prior to the time that water supply or
16 transmission or other commodity or service is being provided, or during a
17 suspension or after termination of supply or service) shall be an Operating and
18 Maintenance Expense if the following requirements are met at the time such a
19 Contract Resource Obligation is entered into:

- 20 (i) No Event of Default has occurred and is continuing; and
21 (ii) There shall be on file a certificate of an Independent Utility
22 Consultant stating that (A) the payments to be made by the City
23 in connection with the Contract Resource Obligation are
24 reasonable for the supply or transmission rendered; (B) the
25 source of any new supply, and any facilities to be constructed to
26 provide the supply or transmission, are sound from a water or
27 other commodity supply or transmission planning standpoint, are
28 technically and economically feasible in accordance with prudent

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1 utility practice, and are likely to provide supply or transmission
2 no later than a date set forth in the Independent Utility
3 Consultant's certification; and (C) the Adjusted Net Revenue
4 (further adjusted by the Independent Utility Consultant's estimate
5 of the payments to be made in accordance with the Contract
6 Resource Obligation) for the five fiscal years following the year
7 in which the Contract Resource Obligation is incurred, as such
8 Adjusted Net Revenue is estimated by the Independent Utility
9 Consultant in accordance with the provisions of and adjustments
10 permitted in Section 18(a)(vi)(B), will be at least equal to the
11 Coverage Requirement.

12 (b) Payments required to be made under Contract Resource
13 Obligations shall not be subject to acceleration.

14 (c) Nothing in this section shall be deemed to prevent the City from
15 entering into other agreements for the acquisition of water supply, transmission
16 or other commodity or service from existing facilities and from treating those
17 payments as Operating and Maintenance Expense. Nothing in this section shall
18 be deemed to prevent the City from entering into other agreements for the
19 acquisition of water supply, transmission or other commodity or service from
20 facilities to be constructed and from agreeing to make payments with respect
21 thereto, such payments constituting a charge and lien on Net Revenue
22 subordinate to that of Parity Bonds.

23 **Section 22. Refunding or Defeasance of Bonds.** The Bonds are
24 hereby designated "Refundable Bonds" for purposes of this ordinance, as it may
25 be amended from time to time. The City may issue refunding bonds pursuant to
26 the laws of the State or use money available from any other lawful source to pay
27 when due the principal of, premium, if any, and interest on any Bond, or portion
28 thereof, included in a refunding or defeasance plan, and to redeem and retire,
release, refund or defease those Bonds (the "defeased Bonds") and to pay the
costs of such refunding or defeasance. If money and/or Government Obligations

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1 maturing at a time or times and in an amount sufficient, together with known
2 earned income from the investment thereof, to redeem and retire, release, refund
3 or defease the defeased Bonds in accordance with their terms, are set aside in a
4 special trust fund or escrow account irrevocably pledged to such redemption,
5 retirement or defeasance (the "trust account"), then all right and interest of the
6 Owners of the defeased Bonds in the covenants of this ordinance and in the Net
7 Revenue and the funds and accounts pledged to the payment of such defeased
8 Bonds, other than the right to receive the funds so set aside and pledged,
9 thereafter shall cease and become void. Such Owners thereafter shall have the
10 right to receive payment of the principal of and interest or redemption price on
11 the defeased Bonds from the trust account. After establishing and fully funding
12 such a trust account, the defeased Bonds shall be deemed as no longer
13 outstanding, and the Director of Finance then may apply any money in any other
14 fund or account established for the payment or redemption of the defeased
15 Bonds to any lawful purposes. Notice of refunding or defeasance shall be given,
16 and selection of Bonds for any partial refunding or defeasance shall be
17 conducted, in the manner set forth in this ordinance for the redemption of
18 Bonds.

19 If the refunding or defeasance plan provides that the defeased Bonds or
20 the refunding bonds to be issued be secured by money and/or Government
21 Obligations pending the prior redemption of the defeased Bonds and if such
22 refunding or defeasance plan also provides that certain money and/or
23 Government Obligations are pledged irrevocably for the prior redemption of the
24 defeased Bonds included in that refunding or defeasance plan, then only the debt
25 service on the Bonds which are not defeased Bonds and the refunding bonds, the
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1 payment of which is not so secured by the refunding plan, shall be included in
2 the computation of the Coverage Requirement for the issuance of Future Parity
3 Bonds and the annual computation of the Coverage Requirement for
4 determining compliance with the rate covenants.

5 **Section 23. Provisions Relating To Certain Federal Tax**
6 **Consequences of the Bonds.**

7 (a) **Tax-Exempt Bonds.** The City covenants that it will take all
8 actions consistent with the terms of any Series issued as Tax-Exempt Bonds, this
9 ordinance and the Bond Resolution, reasonably within its power and necessary
10 to prevent interest on that Series from being included in gross income for federal
11 income tax purposes, and the City will neither take any action nor make or
12 permit any use of proceeds of such Series or other funds of the City treated as
13 proceeds of the Series at any time during the term of the Series which will cause
14 interest on the Series to be included in gross income for federal income tax
15 purposes. The City also covenants that it will, to the extent the arbitrage rebate
16 requirement of Section 148 of the Code is applicable to any Series issued as
17 Tax-Exempt Bonds, take all actions necessary to comply (or to be treated as
18 having complied) with that requirement in connection with that Series, including
19 the calculation and payment of any penalties that the City has elected to pay as
20 an alternative to calculating rebatable arbitrage, and the payment of any other
21 penalties if required under Section 148 of the Code to prevent interest on such
22 Series from being included in gross income for federal income tax purposes.

23 (b) **Tax-Credit Subsidy Bonds or other Taxable Bonds.** The
24 Director of Finance may, without further action by the Council, make provision
25 in the Bonds or other written document for such additional covenants of the City
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1 as may be necessary or appropriate in order for the City to receive from the
2 United States Treasury the applicable Tax Credit Subsidy Payments in respect of
3 any Series issued as Tax Credit Subsidy Bonds or otherwise become and remain
4 eligible for tax benefits under the Code.

5 **Section 24. Official Statement; Continuing Disclosure.**

6 (a) **Preliminary Official Statement.** The Director of Finance and
7 other appropriate City officials are directed to cause the preparation of and
8 review the form of a preliminary official statement in connection with each sale
9 of one or more Series to the public. For the sole purpose of the Purchaser's
10 compliance with paragraph (b)(1) of Rule 15c2-12, the Director of Finance is
11 authorized to deem that preliminary official statement final as of its date, except
12 for the omission of information permitted to be omitted by Rule 15c2-12. The
13 City approves the distribution to potential purchasers of the Bonds of a
14 preliminary official statement that has been deemed final in accordance with this
15 substitution.

16 (b) **Final Official Statement.** The City approves the preparation of
17 a final official statement for each sale of one or more Series to be sold to the
18 public in the form of the preliminary official statement with such modifications
19 and amendments as the Director of Finance deems necessary or desirable, and
20 further authorizes the Director of Finance to execute and deliver such final
21 official statement to the Purchaser. The City authorizes and approves the
22 distribution by the Purchaser of that final official statement to purchasers and
23 potential purchasers of the Bonds.

24 (c) **Undertaking to Provide Continuing Disclosure.** To meet the
25 requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a
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1 participating underwriter for a Series, the Director of Finance is authorized to
2 execute the written Undertaking in substantially the form attached as Exhibit B.

3 **Section 25. Supplemental or Amendatory Ordinances.**

4 (a) This ordinance shall not be supplemented or amended in any
5 respect subsequent to the Issue Date, except as provided in and in accordance
6 with and subject to the provisions of this section.

7 (b) The City may, from time to time and at any time, without the
8 consent of or notice to the owners of the Parity Bonds, pass supplemental or
9 amendatory ordinances for any of the following purposes:

- 10 (i) To cure any formal defect, omission, inconsistency or ambiguity
11 in this ordinance in a manner not adverse to the owners of any
12 Parity Bonds;
- 13 (ii) To impose upon the Bond Registrar (with its consent) for the
14 benefit of the owners of any Parity Bonds any additional rights,
15 remedies, powers, authority, security, liabilities or duties which
16 may lawfully be granted, conferred or imposed and which are not
17 contrary to or inconsistent with this ordinance as therefore in
18 effect;
- 19 (iii) To add to the covenants and agreements of, and limitations and
20 restrictions upon, the City in this ordinance other covenants,
21 agreements, limitations and restrictions to be observed by the
22 City which are not contrary or inconsistent with this ordinance as
23 therefore in effect;
- 24 (iv) To confirm, as further assurance, any pledge under, and the
25 subjection to any claim, lien or pledge created or to be created by
26 this ordinance of any other money, securities or funds;
- 27 (v) To authorize different denominations of the Bonds and to make
28 correlative amendments and modifications to this ordinance
regarding exchangeability of Bonds of different authorized
denominations, redemptions of portions of Bonds of particular
authorized denominations and similar amendments and
modifications of a technical nature;

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- (vi) To comply with any future federal law or interpretation to preserve the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes and the entitlement of the City to receive from the United States Treasury the applicable Tax Credit Subsidy Payments in respect of any Series sold and issued as Tax Credit Subsidy Bonds;
- (vii) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the owners of the Parity Bonds and which does not involve a change described in subsection (c) of this section; and
- (viii) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance, other covenants, agreements, limitations and restrictions to be observed by the City which are requested by a provider of Bond Insurance or provider of a Reserve Security and which are not materially adverse to the owners of the Parity Bonds.

Before the City may pass any such supplemental or amendatory ordinance pursuant to this subsection, there must be delivered to the City an opinion of Bond Counsel, stating that such supplemental or amendatory ordinance is authorized or permitted by this ordinance and, upon the effective date thereof, will be valid and binding upon the City in accordance with its terms, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds.

(c) Except for any supplemental or amendatory ordinance passed pursuant to subsection (b) of this section, subject to the terms and provisions contained in this subsection (c) and not otherwise:

- (i) With the consent of registered owners of not less than 60% in aggregate principal amount of the Parity Bonds then outstanding, the City Council may pass any supplemental or amendatory ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance. However, unless approved in writing by the registered owner of each Parity Bond then outstanding,

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1 nothing contained in this section shall permit, or be construed as
2 permitting (A) a change in the times, amounts or currency of
3 payment of the principal of or interest on any outstanding Parity
4 Bond, or a reduction in the principal amount or redemption price
5 of any outstanding Parity Bond or a change in the method of
6 determining the rate of interest thereon, (B) a preference or
7 priority of any Parity Bond over any other Parity Bond, or (C) a
8 reduction in the aggregate principal amount of Parity Bonds.

9 (ii) If at any time the City Council passes a supplemental or
10 amendatory ordinance for any of the purposes of this subsection
11 (c), the Bond Registrar shall cause notice of the proposed
12 supplemental or amendatory ordinance to be given by first-class
13 United States mail to all registered owners of the then
14 outstanding Parity Bonds, to each provider of Bond Insurance or
15 a Reserve Security, and to each Rating Agency. Such notice shall
16 briefly set forth the nature of the proposed supplemental or
17 amendatory ordinance and shall state that a copy is on file at the
18 office of the City Clerk for inspection by all owners of the
19 outstanding Parity Bonds.

20 (iii) Within two years after the date of the mailing of such notice,
21 such supplemental or amendatory ordinance, substantially as
22 described in such notice, may go into effect, but only if there
23 shall have first been delivered to the Bond Registrar (A) the
24 required consents, in writing, of registered owners of the Parity
25 Bonds, and (B) an opinion of Bond Counsel stating that such
26 supplemental or amendatory ordinance is authorized or permitted
27 by this ordinance and, upon the effective date thereof, will be
28 valid and binding upon the City in accordance with its terms, will
not adversely affect the exclusion from gross income for federal
income tax purposes of interest on any Tax-Exempt Bonds.

(iv) If registered owners of not less than the percentage of Parity
Bonds required by this subsection (c) shall have consented to and
approved the passage of such a supplemental or amendatory
ordinance, no owner of a Parity Bond shall have any right to
object to the passage of such supplemental ordinance, or to object
to any of the terms and provisions contained therein or the
operation thereof, or in any manner to question the propriety of
the passage thereof, or to enjoin or restrain the City from passing
the same or the City, any authorized official thereof, or the Bond

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Registrar from taking any action pursuant to the provisions thereof.

(d) The Registered Owners from time to time of the outstanding Bonds, by taking and holding the same, shall be deemed to have consented to the adoption by the City of any supplemental or amendatory ordinance or resolution passed pursuant to the provisions of this section for any one or more of the following purposes:

(i) When calculating "Annual Debt Service," to permit or require Tax Credit Subsidy Payments expected to be received by the City in any period to be credited against amounts required to be paid in respect of interest on the Parity Bonds in that period; and

(ii) To permit or require Tax Credit Subsidy Payments to be deposited into the Principal and Interest Subaccount and credited against the Net Revenue otherwise required to be deposited into the Principal and Interest Subaccount.

(e) Upon the effective date of any supplemental or amendatory ordinance pursuant to the provisions of this section, this ordinance shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all owners of Parity Bonds, shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such modifications and amendments.

Section 26. Defaults and Remedies.

(a) **Events of Default.** The following shall constitute Events of Default with respect to the Bonds:

(i) If a default is made in the payment of the principal of or interest on any of the Bonds when the same shall become due and payable; or

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1 (ii) If the City defaults in the observance and performance of any
2 other of the covenants, conditions and agreements on the part of
3 the City set forth in this ordinance or in any Parity Bond
4 Legislation (except as otherwise provided herein or in such Parity
5 Bond Legislation) and such default or defaults have continued for
6 a period of six months after the City has received from the Bond
7 Owners' Trustee (as defined below) or from the registered
8 owners of not less than 25% in principal amount of the Parity
9 Bonds, a written notice specifying and demanding the cure of
10 such default. However, if the default in the observance and
11 performance of any other of the covenants, conditions and
12 agreements is one which cannot be completely remedied within
13 the six months after written notice has been given, it shall not be
14 an Event of Default with respect to the Bonds as long as the City
15 has taken active steps within the six months after written notice
16 has been given to remedy the default and is diligently pursuing
17 such remedy; or

18 (iii) If the City files a petition in bankruptcy or is placed in
19 receivership under any state or federal bankruptcy or insolvency
20 law.

21 Notwithstanding anything in this section to the contrary, the failure of
22 the City or any obligated person to comply with the Undertaking shall not
23 constitute an Event of Default under this ordinance, the Bond Resolution or the
24 Bonds, and the sole remedy of any holder of a Bond shall be to seek an order of
25 specific performance from an appropriate court to compel the City to comply
26 with the Undertaking.

27 (b) **Bond Owners' Trustee.** So long as such Event of Default has
28 not been remedied, a trustee (the "Bond Owners' Trustee") may be appointed by
the registered owners of 25% in principal amount of the Parity Bonds, by an
instrument or concurrent instruments in writing signed and acknowledged by
such registered owners of the Parity Bonds or by their attorneys-in-fact duly
authorized and delivered to such Bond Owners' Trustee, notification thereof
being given to the City. That appointment shall become effective immediately

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1 upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners'
2 Trustee appointed under the provisions of this subsection (b) shall be a bank or
3 trust company organized under the laws of the State of Washington or the State
4 of New York or a national banking association. The bank or trust company
5 acting as Bond Owners' Trustee may be removed at any time, and a successor
6 Bond Owners' Trustee may be appointed, by the registered owners of a majority
7 in principal amount of the Parity Bonds, by an instrument or concurrent
8 instruments in writing signed and acknowledged by such registered owners of
9 the Parity Bonds or by their attorneys-in-fact duly authorized. The Bond
10 Owners' Trustee may require such security and indemnity as may be reasonable
11 against the costs, expenses and liabilities that may be incurred in the
12 performance of its duties.

13 In the event that any Event of Default in the sole judgment of the Bond
14 Owners' Trustee is cured and the Bond Owners' Trustee furnishes to the City a
15 certificate so stating, that Event of Default shall be conclusively deemed to be
16 cured and the City, the Bond Owners' Trustee and the registered owners of the
17 Parity Bonds shall be restored to the same rights and position which they would
18 have held if no Event of Default had occurred.

19 The Bond Owners' Trustee appointed in the manner herein provided, and
20 each successor thereto, is declared to be a trustee for the registered owners of all
21 the Parity Bonds and is empowered to exercise all the rights and powers herein
22 conferred on the Bond Owners' Trustee.

23 **(c) Suits at Law or in Equity.** Upon the happening of an Event of
24 Default and during the continuance thereof, the Bond Owners' Trustee may, and
25 upon the written request of the registered owners of not less than 25% in
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1 principal amount of the Parity Bonds outstanding shall, take such steps and
2 institute such suits, actions or other proceedings, all as it may deem appropriate
3 for the protection and enforcement of the rights of the registered owners of the
4 Parity Bonds, to collect any amounts due and owing to or from the City, or to
5 obtain other appropriate relief, and may enforce the specific performance of any
6 covenant, agreement or condition contained in this ordinance or in any of the
7 Parity Bonds.

8 Nothing contained in this section shall, in any event or under any
9 circumstance, be deemed to authorize the acceleration of maturity of principal
10 on the Parity Bonds, and the remedy of acceleration is expressly denied to the
11 registered owners of the Parity Bonds under any circumstances including,
12 without limitation, upon the occurrence and continuance of an Event of Default.

13 Any action, suit or other proceedings instituted by the Bond Owners'
14 Trustee hereunder shall be brought in its name as the Bond Owners' Trustee and
15 all such rights of action upon or under any of the Parity Bonds or the provisions
16 of this ordinance may be enforced by the Bond Owners' Trustee without the
17 possession of any of those Parity Bonds and without the production of the same
18 at any trial or proceedings relative thereto except where otherwise required by
19 law. Any such suit, action or proceeding instituted by the Bond Owners'
20 Trustee shall be brought for the ratable benefit of all of the registered owners of
21 those Parity Bonds, subject to the provisions of this ordinance. The respective
22 registered owners of the Parity Bonds, by taking and holding the same, shall be
23 conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true
24 and lawful trustee of the respective registered owners of those Parity Bonds,
25 with authority to institute any such action, suit or proceeding; to receive as
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1 trustee and deposit in trust any sums becoming distributable on account of those
2 Parity Bonds; to execute any paper or documents for the receipt of money; and
3 to do all acts with respect thereto that the registered owner himself or herself
4 might have done in person. Nothing herein shall be deemed to authorize or
5 empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of
6 any registered owner of the Parity Bonds, any plan of reorganization or
7 adjustment affecting the Parity Bonds or any right of any Owner thereof, or to
8 authorize or empower the Bond Owners' Trustee to vote the claims of the
9 registered owners thereof in any receivership, insolvency, liquidation,
10 bankruptcy, reorganization or other proceeding to which the City is a party.

11 **(d) Application of Money Collected by Bond Owners' Trustee.**

12 Any money collected by the Bond Owners' Trustee at any time pursuant to this
13 section shall be applied in the following order of priority:

- 14 (i) to the payment of the charges, expenses, advances and
15 compensation of the Bond Owners' Trustee and the charges,
16 expenses, counsel fees, disbursements and compensation of its
17 agents and attorneys; and
- 18 (ii) to the payment to the persons entitled thereto of all installments
19 of interest then due on the Parity Bonds in the order of maturity
20 of such installments and, if the amount available shall not be
21 sufficient to pay in full any installment or installments maturing
22 on the same date, then to the payment thereof ratably, according
23 to the amounts due thereon to the persons entitled thereto,
24 without any discrimination or preference; and
- 25 (iii) to the payment to the persons entitled thereto of the unpaid
26 principal amounts of any Parity Bonds which shall have become
27 due (other than Parity Bonds previously called for redemption for
28 the payment of which money is held pursuant to the provisions
hereto), whether at maturity or by proceedings for redemption or
otherwise, in the order of their due dates and, if the amount
available shall not be sufficient to pay in full the principal
amounts due on the same date, then to the payment thereof

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1 ratably, according to the principal amounts due thereon to the
2 persons entitled thereto, without any discrimination or
3 preference.

4 **(e) Duties and Obligations of Bond Owners' Trustee.** The Bond
5 Owners' Trustee shall not be liable except for the performance of such duties as
6 are specifically set forth herein. During an Event of Default, the Bond Owners'
7 Trustee shall exercise such of the rights and powers vested in it hereby, and shall
8 use the same degree of care and skill in its exercise, as a prudent person would
9 exercise or use under the circumstances in the conduct of his or her own affairs.
10 The Bond Owners' Trustee shall have no liability for any act or omission to act
11 hereunder except for the Bond Owners' Trustee's own negligent action, its own
12 negligent failure to act or its own willful misconduct. The duties and obligations
13 of the Bond Owners' Trustee shall be determined solely by the express
14 provisions of this ordinance, and no implied powers, duties or obligations of the
15 Bond Owners' Trustee shall be read into this ordinance.

16 The Bond Owners' Trustee shall not be required to expend or risk its
17 own funds or otherwise incur individual liability in the performance of any of its
18 duties or in the exercise of any of its rights or powers as the Bond Owners'
19 Trustee, except as may result from its own negligent action, its own negligent
20 failure to act or its own willful misconduct.

21 The Bond Owners' Trustee shall not be bound to recognize any person as
22 a registered owner of any Parity Bond until his or her title thereto, if disputed,
23 has been established to its reasonable satisfaction.

24 The Bond Owners' Trustee may consult with counsel and the opinion of
25 such counsel shall be full and complete authorization and protection in respect
26 of any action taken or suffered by it hereunder in good faith and in accordance
27 with the opinion of such counsel. The Bond Owners' Trustee shall not be
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1 answerable for any neglect or default of any person, firm or corporation
2 employed and selected by it with reasonable care.

3 (f) **Suits by Individual Parity Bond Owners Restricted.** No
4 owner of any one or more Parity Bonds shall have any right to institute any
5 action, suit or proceeding at law or in equity for the enforcement of same unless:

- 6 (i) an Event of Default has happened and is continuing; and
- 7 (ii) a Bond Owners' Trustee has been appointed; and
- 8 (iii) such owner previously shall have given to the Bond Owners'
9 Trustee written notice of the Event of Default on account of
10 which such suit, action or proceeding is to be instituted; and
- 11 (iv) the registered owners of 25% in principal amount of the Parity
12 Bonds, after the occurrence of such Event of Default, have made
13 written request of the Bond Owners' Trustee and have afforded
14 the Bond Owners' Trustee a reasonable opportunity to institute
15 such suit, action or proceeding; and
- 16 (v) there have been offered to the Bond Owners' Trustee security and
17 indemnity satisfactory to it against the costs, expenses and
18 liabilities to be incurred therein or thereby; and
- 19 (vi) the Bond Owners' Trustee has refused or neglected to comply
20 with such request within a reasonable time.

21 No owner of any Parity Bond shall have any right in any manner
22 whatever by his or her action to affect or impair the obligation of the City to pay
23 from the Net Revenue the principal of and interest on such Parity Bonds to the
24 respective registered owners thereof when due.

25 **Section 27. General Authorization.** In addition to the specific
26 authorizations in this ordinance, the Mayor and the Director of Finance and each
27 of the other appropriate officers of the City are each authorized and directed to
28 do everything as in his or her judgment may be necessary, appropriate, or

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1 desirable in order to carry out the terms and provisions of, and complete the
2 transactions contemplated by, this ordinance. In particular and without limiting
3 the foregoing:

4 (a) The Director of Finance may, in his or her discretion and without
5 further action by the City Council: (i) issue requests for proposals for
6 underwriting or financing facilities and execute engagement letters with
7 underwriters, bond insurers or other financial institutions based on responses to
8 such requests, (ii) change the Bond Registrar or Securities Depository for the
9 Bonds; and (iii) take such actions on behalf of the City as are necessary or
10 appropriate for the City to designate, qualify or maintain the tax-exempt
11 treatment with respect to any Series issued as Tax-Exempt Bonds, to receive
12 from the United States Treasury the applicable Tax Credit Subsidy Payments in
13 respect of any Series issued as Tax-Credit Subsidy Bonds and to otherwise
14 receive any other federal tax benefits relating to the Bonds that available to the
15 City; and

16 (b) Each of the Mayor and the Director of Finance is separately
17 authorized to execute and deliver (i) any and all contracts or other documents as
18 are consistent with this ordinance and for which the City's approval is necessary
19 or to which the City is a party (including but not limited to agreements with
20 escrow agents, refunding trustees, providers of Bond Insurance or Reserve
21 Securities, remarketing agents, underwriters, lenders, fiscal agents, Qualified
22 Counterparties, custodians, and the Bond Registrar); and (ii) such other contracts
23 or documents incidental to the issuance and sale of a Series; the establishment of
24 the initial interest rate or rates on a Bond; or the tender, purchase, remarketing,

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1 or redemption of a Bond, as may in his or her judgment be necessary or
2 appropriate.

3 **Section 28. Severability.** The provisions of this ordinance are
4 declared to be separate and severable. If a court of competent jurisdiction, all
5 appeals having been exhausted or all appeal periods having run, finds any
6 provision of this ordinance to be invalid or unenforceable as to any person or
7 circumstance, such offending provision shall, if feasible, be deemed to be
8 modified to be within the limits of enforceability or validity. However, if the
9 offending provision cannot be so modified, it shall be null and void with respect
10 to the particular person or circumstance, and all other provisions of this
11 ordinance in all other respects, and the offending provision with respect to all
12 other persons and all other circumstances, shall remain valid and enforceable.

13 **Section 29. Ratification of Prior Acts.** Any action taken consistent
14 with the authority of this ordinance, after its passage but prior to the effective
15 date, is ratified, approved and confirmed.

16 **Section 30. Section Headings.** Section headings in this ordinance are
17 used for convenience only and shall not constitute a substantive portion of this
18 ordinance.

19 **Section 31. Effective Date.** This ordinance shall take effect and be in
20 force 30 days from and after its approval by the Mayor, but if not approved by
21 the Mayor and returned by the Mayor within ten days after presentation, it shall
22 take effect as provided by Municipal Code Section 1.04.020.

23 Exhibit A – List of Outstanding Parity Bonds

24 Exhibit B – Form of Undertaking to Provide Continuing Disclosure