Ordinance No. 121941

Council Bill No. 115384

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power 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 municipal light and power revenue bonds and issuing and selling 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.

CF No.

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Date Re - Referred:	To: (committee)
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The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: McIVER Richard J. McIver

Councilmember

Committee Action:

9/21/05 RJM, NL moved + passed 2-0

This file is complete and ready for presentation to Full Council. Committee: _____ (Initial/date)

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THE CITY OF SEATTLE, WASHINGTON

ORDINANCE 121941

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Passed _____, 2005

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ORDINANCE 121941

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power 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 municipal light and power revenue bonds and issuing and selling 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.

WHEREAS, The City of Seattle, Washington (the "City"), owns, operates and maintains an electric system (the "Light System"); and

WHEREAS, the City issued municipal light and power revenue bonds pursuant to the ordinances and resolutions set forth in Exhibit A to this ordinance (the "Outstanding Parity Bonds"); and

WHEREAS, the City has determined that it is in the best interest of the City to authorize the issuance and sale, subject to the provisions of this ordinance, of municipal light and power refunding revenue bonds (collectively, the "Bonds"), in one or more series, for the purpose of paying all or part of the cost of refunding all or a portion of the Outstanding Parity Bonds, the Bonds and certain municipal light and power revenue bonds hereafter issued (collectively, the "Refundable Bonds") and of paying all or part of the costs of issuance and sale of the Bonds; and

WHEREAS, the City from time to time will receive, review and adopt a plan to refund selected maturities of those Refundable Bonds, which selected maturities will be identified in the Bond Resolutions (hereinafter defined); and

WHEREAS, this ordinance will allow the refunding of any Refundable Bonds only if the refunding is (a) consistent with City financial policies in effect at the time of the proposed refunding and (b) approved by resolution of the City Council; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words and phrases shall have the meanings set forth below.

"Accreted Value" means with respect to any Capital Appreciation Bonds (a) as of any Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds 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

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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, times (B) the difference between the Accreted Values for such Valuation Dates.

"Acquired Obligations" means those Government Obligations purchased to accomplish the refunding of the Refunded Bonds, consistent with the Refunded Bond Legislation and any applicable agreements with bond insurers.

"Adjusted Net Revenue" has the meaning assigned to that term in Section 18(g)(iii).

"Annual Debt Service" for any calendar year means the sum of the amounts required in such calendar year to pay:

(a) the interest due in such calendar year on all Parity Bonds outstanding, excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; and

(b) the principal of all outstanding Serial Bonds due in such calendar year; and

(c) the Sinking Fund Requirement, if any, for such calendar year.

For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds.

For purposes of calculating and determining compliance with the Reserve Fund Requirement and conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment Agreements:

(i) Generally. Except as otherwise provided by subparagraph (ii) with respect to Variable Interest Rate Bonds and by subparagraph (iii) below with respect to Parity Bonds with respect to which a Payment Agreement is in force, interest on any issue of Parity Bonds shall be

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calculated based on the actual amount of accrued, accreted or otherwise accumulated interest that is payable in respect of that issue taken as a whole, at the rate or rates set forth in the applicable Parity Bond Ordinance;

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

(iii) Interest on Parity Bonds With Respect to Which a Payment Agreement is in Force. Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement, including but not limited to the effects produced by the following: (A) Parity Bonds that would, but for a Payment 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 would be payable at the rate or rates stated 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

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by the Parity Bonds. Notwithstanding the other provisions of this subparagraph (iii), the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten (10) years or less;

(iv) Parity Payment Agreements. No additional debt service shall be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on related Parity Bonds under subparagraph (iii) of this definition. However, for any period during which Payment Agreement Payments are not taken into account in calculating Annual Debt Service on any 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 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.

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"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.

"Bond Register" means the books or records maintained by the Bond Registrar for the purpose of registration of the Bonds.

"Bond Registrar" or "Registrar" means the fiscal agency of the State of Washington, or any successor bond registrar selected by the City, whose duties include the registration and authentication of the Bonds, maintenance of the Bond Register, effecting transfer of ownership of the Bonds, and paying the principal of and premium, if any, and interest on the Bonds.

"Bond Resolution" means the resolution or resolutions of the City Council adopted pursuant to this ordinance to specify certain additional provisions of each series of the Bonds and their sale..

"Bonds" means the refunding bonds issued in one or more series from time to time pursuant to, under the authority of and for the purposes provided in this ordinance.

"Capital Appreciation Bonds" means any Parity Bonds as to which interest is payable only at the maturity or prior redemption of such Parity Bonds. For the purpose of (a) receiving payment of the redemption premium, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, or (b) computing the principal amount of Parity Bonds held by the owner of a Capital Appreciation Bond in giving to the City or the paying agent for those bonds any notice, consent, request, or demand pursuant to this ordinance or for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

"City" means The City of Seattle, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

"City Council" means the City Council of the City.

"Closing Date" means the date on which a series of Bonds is delivered to the initial purchaser or purchasers thereof upon payment in full therefor.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto, and all applicable regulations thereunder.

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"DTC" means The Depository Trust Company, New York, New York, as initial Securities Depository for the Bonds.

"Director of Finance" means the Director of Finance of the City, or any successor thereto.

"Future Parity Bonds" means any fixed or variable rate revenue bonds of the City (other than the Bonds) issued hereafter having a charge or lien upon the Gross Revenues for payment of the principal thereof and interest thereon equal in priority to the charge or lien upon the Gross Revenues of the Light System for the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds. Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in compliance with Section 18(g) or Section 18(h).

"Government Obligations" means those government obligations defined by RCW 39.53.010(9) as it now reads or hereafter may be amended or replaced.

"Gross Revenues" means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Light 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 Light System; (c) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the investment income earned on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Light System. Gross Revenues do not include: (A) insurance proceeds compensating the City for the loss of a capital asset; (B) income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenues; (C) investment income earned on money in any fund or account created or maintained solely for the purpose of complying with the arbitrage rebate provisions of the Code; (D) any gifts, grants, donations or other funds received by the City from any State or federal agency or other person if such gifts, grants, donations or other funds are the subject of any limitation or reservation imposed by the donor or grantor or imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the

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application of Gross Revenues hereunder; (E) the proceeds of any borrowing for capital improvements (or the refinancing thereof); and (F) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues).

"Letter of Representations" means, for each series of Bonds, the Letter of Representations relating to the Bonds to be delivered by the City to DTC.

"Light Fund" means the special fund of the City of that name heretofore created and established by the City Council.

"Light System" means the municipal light and power plant and system now belonging to or which may hereafter belong to the City.

"Mayor" means the Mayor of the City.

"Moody's" means Moody's Investors Service, Inc.

"Net Revenue" for any period has the meaning assigned to that term in Section 18(g)(ii).

"New Covenant Date" means the date on which no 1994 Bonds, 1995A Bonds, 1995B Bonds, 1996 Bonds, 1997 Bonds, 1998A Bonds, 1998B Bonds, 1999 Bonds or 2000 Bonds remain outstanding under the respective ordinances authorizing the issuance of such bonds.

"Outstanding Parity Bonds" means, collectively, the outstanding 1996 Bonds, 1997 Bonds, 1998A Bonds, 1998B Bonds, 1999 Bonds, 2000 Bonds, 2001 Bonds, 2002 Bonds, 2003 Bonds and 2004 Bonds, as described in Exhibit A.

"Parity Bond Fund" means the Seattle Municipal Light Revenue Parity Bond Fund established pursuant to Ordinance 92938 and now treated as a separate account within the Light Fund.

"Parity Bond Ordinance" means any ordinance or resolution passed or adopted by the City Council providing for the issuance of Parity Bonds, and any other ordinance or resolution amending or supplementing the provisions of any Parity Bond Ordinance as originally passed or adopted or as theretofore amended or supplemented.

"Parity Bonds" means the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

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

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

"Payment Agreement Payments" means the amounts, periodically required to be paid by the City to the Qualified Counterparty pursuant to a Payment Agreement.

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

"Permitted Investments" means any investments or investment agreements permitted for the investment of City funds under the laws of the State of Washington as amended from time to time.

"Professional Utility Consultant" means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with electric systems of comparable size and character to the Light System in such areas as are relevant to the purposes for which they were retained.

"Qualified Counterparty" means a party (other than the City or a person related to the City) who is the other party to a Payment Agreement and who is qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

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"Qualified Insurance" means any municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest rating categories by Moody's and S&P or their comparably recognized business successors.

"Qualified Letter of Credit" means any letter of credit issued by a financial institution for the account of the City on behalf of the owners of Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit is rated in one of the two highest rating categories by Moody's and S&P or their comparably recognized business successors.

"Rate Stabilization Account" means the fund of that name created in the Light Fund for the purposes described in this ordinance.

"RBI" means The Bond Buyer Revenue Bond Index or comparable index, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate for actively traded thirty (30) year United States Treasury obligations.

"Refundable Bonds" means, collectively, all or a portion of any Outstanding Parity Bonds and the Bonds, and all or a portion of those Future Parity Bonds that have been designated as Refundable Bonds in the applicable Parity Bond Ordinance.

"Refunded Bonds" means those Refundable Bonds included in a Refunding Plan.

"Refunded Bond Legislation" means one or more of the ordinances and resolutions of the City pursuant to which the Refunded Bonds were issued.

"Refunding Parity Bonds" means Parity Bonds issued pursuant to Section 18(h) of this ordinance for the purpose of refunding bonds of any prior series of Parity Bonds.

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"Refunding Plan" means, with respect to the issuance of each series of Bonds, the refunding of all or a portion of the Refundable Bonds through the issuance of such series, as more particularly described in the Bond Resolution.

"Refunding Trust Agreement" means, with respect to each series of Bonds, a refunding trust or escrow agreement between the City and a Refunding Trustee, dated as of the Closing Date of such series, providing for the safekeeping of certain Bond proceeds and the refunding of all or a portion of the Refundable Bonds.

"Refunding Trustee" means, for each series of Bonds, the Director of Finance, or the trustee or escrow agent designated by the Director of Finance, consistent with the Refunded Bond Legislation and any applicable agreements with Bond Insurers.

"Reserve Fund" means the Municipal Light and Power Bond Reserve Fund established pursuant to Ordinance 71917, as amended, and now treated as a separate account within the Light Fund.

"Reserve Fund Requirement" means, at any time, the lesser of (a) the maximum Annual Debt Service on all Parity Bonds then outstanding; and (b) the maximum amount permitted by the Code as a "reasonably required reserve or replacement fund." *Notwithstanding the foregoing, on the New Covenant Date, "Reserve Fund Requirement" shall mean, for any issue of Future Parity Bonds, the Reserve Fund Requirement specified for that issue, and the Reserve Fund Requirement for all series of Future Parity Bonds shall be the sum of the Reserve Fund Requirement for all such Future Parity Bonds.*

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc.

"Securities Depository" means any one of the following registered securities depositories which has been designated by the City: (i) DTC; (ii) Midwest Securities Trust Company, Chicago, Illinois, (iii) Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; or (iv) such other

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securities depositories as the City may designate in a certificate of the City delivered to the Bond Registrar.

"Serial Bonds" means Parity Bonds maturing in specified years, for which no Sinking Fund Requirements are mandated.

"Sinking Fund Account" means any account created in the Parity Bond Fund to amortize the principal or make mandatory redemptions of Term Bonds.

"Sinking Fund Requirement" means, for any calendar year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed, paid at maturity or paid into any Sinking Fund Account for such calendar year as established by the Parity Bond Ordinance authorizing the issuance of such Term Bonds.

"State" means the State of Washington.

"Subordinate Lien Bonds" means, collectively, the City's outstanding Municipal Light and Power Adjustable Rate Revenue Bonds, 1990, Municipal Light and Power Adjustable Rate Revenue Bonds, 1991, Series A and B, Municipal Light and Power Adjustable Rate Revenue Bonds, 1993, and Municipal Light and Power Adjustable Rate Revenue Bonds, 1996, and any bonds issued hereafter, having a charge or lien upon the Gross Revenues of the Light System on a parity with those bonds.

"Term Bonds" means any Parity Bonds identified as such in the Parity Bond Ordinance authorizing the issuance thereof, which Parity Bond Ordinance requires that all or a portion of such bonds be purchased, redeemed or paid prior to maturity in a schedule established thereby.

"Valuation Date" means, with respect to any Capital Appreciation Bonds, the date or dates set forth in any Parity Bond Ordinance authorizing such Parity Bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds.

"Variable Interest Rate" means any variable interest rate or rates to be borne by any Parity Bonds. The method of computing such a variable interest rate shall be as specified in the Parity Bond Ordinance authorizing or specifying the terms of such Parity Bonds, which Parity Bond

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Ordinance also shall specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

"Variable Interest Rate Bonds" means, for any period of time, any Parity Bonds that bear a Variable Interest Rate during that period, except that Parity Bonds shall not be treated as Variable Interest Rate Bonds if the net economic effect of interest rates on particular Parity Bonds of an issue and interest rates on other Parity Bonds of the same issue, as set forth in the applicable Parity Bond Ordinance, or the net economic effect of a Payment Agreement with respect to particular Parity Bonds, in either case is to produce obligations that bear interest at a fixed interest rate; and Parity Bonds with respect to which a Payment Agreement is in force shall be treated as Variable Interest Rate Bonds if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Section 2. Authorization and Description of Bonds; Bond Resolution. The City is authorized to issue Bonds for the purpose of providing all or a part of the funds with which to pay the cost of refunding, defeasing, or refunding and defeasing, the Refunded Bonds and to pay all or part of the costs of issuing and selling the Bonds. The Bonds may be issued in one or more series at any time on or before December 31, 2015, and may be combined with other Parity Bonds authorized separately. The maximum principal amount of any series of the Bonds shall not exceed 125% of the then-outstanding principal amount of the Refundable Bonds refunded by that series of Bonds.

The Bonds shall be dated and have such year and series or other designation as determined by the Director of Finance or as specified by the Bond Resolution; shall be in the denomination of $5,000 or any integral multiple thereof within a single maturity or such other denomination specified in the Bond Resolution; and shall be numbered separately, in the manner and with any additional designation as the Bond Registrar deems necessary for the purpose of identification. The Bonds shall mature on the dates and in the amounts and bear interest payable on the dates and at the rates

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specified in the Bond Resolution, except that the net interest cost shall not exceed a weighted average rate of ten percent per annum; and as specified by the Bond Resolution. All or some of the Bonds may be Term Bonds, as specified by the Bond Resolution. The final maturity of any series of Bonds shall not exceed 40 years from the issue date for that series.

With respect to each series of Bonds, the City Council may adopt the Bond Resolution and in that resolution may provide for the matters described in this ordinance, including the manner of sale and delivery of and payment for the Bonds, the refunding of the Refunded Bonds, and such other matters that the City Council deems necessary and appropriate to carry out the purposes of this ordinance. Once adopted, the Bond Resolution shall be deemed a part of this ordinance as if set forth herein.

For each series of Bonds, the Bond Resolution may provide for Qualified Insurance or a Qualified Letter of Credit, and conditions or covenants relating thereto, including additional terms, conditions and covenants relating to the Bonds that are required by the bond insurer or letter of credit provider and are consistent with the provisions of this ordinance, including but not limited to restrictions on investments and requirements of notice to and consent of the bond insurer or letter of credit provider.

For each series of Bonds, the Bond Resolution may approve and authorize the execution and delivery on behalf of the City of any contracts consistent with the provisions of this ordinance for which the City's approval is necessary or to which the City is a party and that are related or incidental to the initial issuance and sale of the Bonds, the initial establishment of the interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited to Payment Agreements and similar contracts for such purposes.

The Bond Resolution for each series of Bonds shall identify the Refunded Bonds to be refunded by that series, shall establish the terms and conditions upon which the Refunded Bonds are to be refunded, and shall confirm the Director of Finance as, or the Director of Finance's appointment of, the Refunding Trustee. The City Council may specify in the Bond Resolution the

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amount, if any, from the proceeds of or accrued interest on the Bonds to be deposited into specified funds, subfunds, accounts and subaccounts. In the absence of such a determination and specification in the Bond Resolution, the Director of Finance may make such determination and specification.

Section 3. Allocation of the Bonds to the Refunded Bonds. With respect to each series of Bonds, the City Council shall, by the Bond Resolution, provide for the allocation of that series of Bonds to the various series of the Refunded Bonds in a manner consistent with the Code. Such allocation shall be reflected in schedules attached to the Bond Resolution.

Section 4. Registration and Transfer or Exchange of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the registered owner of each Bond and the principal amount and number of each of the Bonds held by each registered owner.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same series, interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the registered owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the period between any record date and the next succeeding principal or interest payment or redemption date.

The City appoints DTC as initial Securities Depository for the Bonds. For so long as DTC is the Securities Depository for the Bonds, DTC shall be deemed to be the registered owner of the Bonds for all purposes hereunder, and all references in this ordinance or the Bond Resolution to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the owners of any beneficial interests in the Bonds. Payments of principal of and interest on all outstanding Bonds registered in the name of the nominee of DTC, or its registered assign, shall be made as provided in the Letter of Representations.

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

So long as the Bonds are registered in the name of DTC or any nominee thereof, all payments of the principal of, premium, if any, or interest on the Bonds shall be made to DTC or its nominee in immediately available funds on the dates provided for such payments under this ordinance and the Bond Resolution and at such times and in the manner provided in the Letter of Representations. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the City or the Bond Registrar with respect to the principal of, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Bonds of any series and maturity, the Bond Registrar shall not require surrender by DTC or its nominee of the Bonds so redeemed, and DTC or its nominee may retain such Bonds and make an appropriate notation thereon as to the amount of such partial redemption. DTC shall deliver to the Bond Registrar, upon request, a written confirmation of such partial redemption. The records

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maintained by the Bond Registrar shall be conclusive as to the amount of the Bonds of such series and maturity that have been redeemed.

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

The City and the Bond Registrar may treat DTC, or any nominee thereof, as the sole and exclusive registered owner of the Bonds registered in such name for the purposes of payment of the principal of, premium, if any, or interest on those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to registered owners of Bonds under this ordinance or the Bond Resolution, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners of Bonds and for all other purposes whatsoever; and the City and the Bond Registrar shall not be affected by any notice to the contrary. The City and the Bond Registrar shall not have any responsibility or obligation to any direct or indirect DTC participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such direct or indirect participant, or any other person which is not shown on the Bond Register as being a registered owner of Bonds, with respect to: (1) the Bonds; (2) any records maintained by DTC or any such direct or indirect participant; (3) the payment by DTC or any such direct or indirect participant of any principal of, premium, if any, or interest on the Bonds; (4) any notice which is permitted or required to be given to registered owners of Bonds under this ordinance or the Bond Resolution; (5) the selection by DTC or any direct or indirect participant of any person to receive payment in the event of a partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as registered owner of the Bonds.

So long as the Bonds are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the registered owners of such Bonds under this ordinance or the Bond Resolution shall be given to DTC as provided in the Letter of Representations, in form and content satisfactory to DTC, the City and the Bond Registrar.

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In connection with any notice or other communication to be provided to registered owners pursuant to this ordinance or the Bond Resolution by the City or the Bond Registrar with respect to any consent or other action to be taken by registered owners of the Bonds, DTC shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action; however, the City or the Bond Registrar may establish a special record date for such consent or other action and shall give DTC notice of such special record date not less than fifteen (15) calendar days in advance of such special record date to the extent possible.

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

The book-entry system for registration of the ownership of the Bonds in fully immobilized form may be discontinued at any time if: (1) after notice to the City and the Bond Registrar, DTC determines to resign as Securities Depository for the Bonds; or (2) after notice to DTC and the Bond Registrar, the City determines that a continuation of the system of book-entry transfers through DTC (or through a successor Securities Depository) is not in the best interests of the City. In each of such events (unless, in the case described in clause (1) above, the City appoints a successor Securities Depository), the Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the City or the Bond Registrar for the accuracy of such designation. Whenever DTC requests the City and the Bond Registrar to do so, or whenever the City requests DTC and the Bond Registrar to do so after the determination by the City to replace DTC with a successor Securities Depository, the City and the Bond Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another Securities Depository to maintain custody of certificates evidencing the Bonds.

Section 5. Mutilated, Lost, Stolen and Destroyed Bonds. In case any Bonds issued hereunder shall become mutilated or be destroyed, stolen or lost, the City may, if not then prohibited or otherwise required by law, cause to be executed and delivered a new Bond of like amount, series,

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interest rate, maturity date and tenor in exchange and substitution for and upon cancellation of such mutilated Bonds, or in lieu of and in substitution for such destroyed, stolen or lost Bonds, upon payment by the registered owner thereof of the reasonable expenses and charges of the City and the Bond Registrar in connection therewith, and in the case of a Bond destroyed, stolen or lost, the filing with the Bond Registrar of evidence satisfactory to the City that such Bond was destroyed, stolen or lost, and of the ownership thereof, and furnishing the City and the Bond Registrar with indemnity satisfactory to each of them. If the mutilated, destroyed, stolen or lost Bond already has matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

Section 6. Payment of Bond Principal and Interest. Principal of, premium, if any, on and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts mailed by the Bond Registrar on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date (or other record date established in the Bond Resolution, the "Record Date") or, at the request of the registered owner of $1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an account in the United States designated in writing by such registered owner prior to the Record Date. Principal of and premium, if any, on the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either of the principal corporate trust office or offices of the Bond Registrar at the option of the owners. Notwithstanding the foregoing, payment of any Bonds registered in the name of DTC or its nominee, shall be made in accordance with the Letter of Representations.

The Bonds shall be payable solely out of the Parity Bond Fund and shall not be general obligations of the City.

Section 7. Redemption and Open Market Purchase of Bonds.

(a) Optional Redemption. All or some of the Bonds may be subject to redemption at the option of the City at the times and on the terms set forth in the Bond Resolution.

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(b) Mandatory Redemption. The City shall redeem any Term Bonds, if not redeemed under the optional redemption provisions set forth in the Bond Resolution or purchased in the open market under the provisions set forth below, by lot (or in such other manner as the Bond Registrar shall determine) at par plus accrued interest on the dates and in the years and principal amounts as set forth in the Bond Resolution.

If the City redeems Term Bonds under the optional redemption provisions set forth in the Bond Resolution or purchases Term Bonds in the open market as set forth below, the Term Bonds so redeemed or purchased (irrespective of their redemption or purchase price) shall be credited at the par amount thereof against the remaining mandatory redemption requirements in a manner to be determined by the Director of Finance or, if no such determination is made, on a pro-rata basis.

(c) Partial Redemption. Whenever less than all of the Bonds of a single maturity are to be redeemed, the Bond Registrar shall select the Bonds or portions thereof to be redeemed from the Bonds of that maturity by lot, or in such other manner as the Bond Registrar shall determine, except that, so long as the Bonds are registered in the name of DTC or its nominee, DTC shall select the Bonds or portions thereof to be redeemed in accordance with the Letter of Representations. In no event shall any Bond be outstanding in a principal amount that is not an authorized denomination.

Portions of the principal amount of any Bond, in integral multiples of $5,000, may be redeemed, unless otherwise provided in the Bond Resolution. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at either of the principal offices of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same series, maturity and interest rate in any of the denominations authorized by the Bond Resolution in the aggregate total principal amount remaining unredeemed.

(d) Open Market Purchase. The City reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

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(e) Bonds to be Cancelled. All Bonds purchased or redeemed under this Section 7 shall be cancelled.

Section 8. Notice of Redemption. The City shall cause notice of any intended redemption of Bonds to be given not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the registered owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed by the Bond Registrar within the same period, postage prepaid, to Moody's and S&P at their offices in New York, New York, or their successors, to any bond insurer for the Bonds, and to such other persons and with such additional information as the Director of Finance shall determine or as specified in the Bond Resolution, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

Section 9. Failure to Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Fund and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Section 10. Form and Execution of Bonds. The Bonds shall be typed, photocopied, printed or lithographed on good bond paper in a form consistent with the provisions of this ordinance, the Bond Resolution and State law; shall be signed by the Mayor and Director of Finance, either or both of whose signatures may be manual or in facsimile; and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

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Only Bonds bearing a Certificate of Authentication in substantially the following form, (with the designation, year, and series of the Bonds completed consistent with this ordinance) manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered The City of Seattle, Washington, Municipal Light and Power Refunding Revenue Bonds, [YEAR], [SERIES], described in the Bond Ordinance.

Bond Registrar

By _____
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

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

Section 11. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the

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provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and SMC Chapter 5.10 establishing a system of registration for the City's bonds and obligations, as that chapter now exists or may hereafter be amended. The City reserves the right in its discretion to appoint special paying agents, registrars or trustees in connection with the payment of some or all of the principal of or interest on the Bonds. If a new Bond Registrar is appointed by the City, notice of the name and address of the new Bond Registrar shall be mailed to the registered owners of the Bonds. The notice may be mailed together with the next interest payment due on the Bonds, but, to the extent practicable, shall be mailed not less than fifteen (15) days prior to a maturity date of the principal of any Bond.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the registered owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of the registered owners of the Bonds.

Section 12. Parity With Other Bonds. The Bonds authorized herein shall be on a parity with the Outstanding Parity Bonds and all bonds hereafter issued on a parity therewith, without regard to date of issuance or authorization and without preference or priority of right or lien with respect to participation of special funds in amounts from gross revenues for payment thereof. Nothing contained herein shall prevent the City from issuing revenue bonds or other obligations which are a charge or lien upon the Gross Revenues of the Light System subordinate to the payments required to be made therefrom into the Parity Bond Fund and the accounts therein.

Section 13. Execution of Refunding Plan(s).

(a) Appointment of Refunding Trustee. Consistent with the applicable requirements of the Refunded Bonds Legislation and any applicable agreements with providers of Qualified

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Insurance or a Qualified Letter of Credit Bond, the Director of Finance may serve as, or appoint the Refunding Trustee for each series of Bonds, which service or appointment shall be confirmed by the Bond Resolution.

(b) Acquisition and Substitution of Acquired Obligations. For each series of Bonds, sufficient proceeds of the sale of the Bonds shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to pay the amounts required by the Refunding Plan to discharge the obligations of the City with respect to the applicable Refunded Bonds. The Refunding Plan shall be carried out, and proceeds of the Bonds allocable to the refunding purposes shall be applied, in accordance with this ordinance, the respective Refunded Bond Legislation, the Bond Resolution and the laws of the State. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations shall be listed and more particularly described in a schedule attached to the Refunding Trust Agreement, and shall be subject to substitution as set forth therein. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the Light Fund to be used for any lawful purpose.

(c) Administration of Refunding Plan. The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or substitute obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the respective Refunded Bond Legislation, this ordinance, the Bond Resolution, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All

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necessary and proper fees, compensation and expenses of the Refunding Trustee and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the Bonds, including bond printing, verification fees, Bond Counsel's fees and other related expenses, shall be paid out of the proceeds of the Bonds.

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

Section 14. Calls for Redemption of the Refunded Bonds. As a part of the Refunding Plan, the City may in the Bond Resolution call the Refunded Bonds for redemption. Such call for redemption of the Refunded Bonds shall specify the Refunded Bonds, call dates and redemption prices, and shall be irrevocable after the delivery to the initial purchaser of the applicable series of Bonds. The dates on which the Refunded Bonds are called for redemption shall be, in the judgment of the Director of Finance, the earliest practical dates on which those bonds may be called for redemption.

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

Section 15. City Findings with Respect to Refunding. With respect to each series of Bodns, the Refunding Plan shall be carried out only if the City finds and determines in the Bond Resolution that the money to be deposited with the Refunding Trustee will discharge and satisfy the obligations of the City with respect to the Refunded Bonds under the applicable Refunded Bond Legislation, and the pledges, charges, trusts, covenants and agreements of the City therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to

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be outstanding under such legislation immediately upon the deposit of such money with the Refunding Trustee.

Section 16. City Findings of Sufficiency of Revenues. The Bonds shall be issued only if the City Council finds and determines by the Bond Resolution that the issuance and sale of the Bonds is in the best interest of the City and in the public interest. In making such findings and determinations, the City Council shall give due regard to the cost of operation and maintenance of the Light System and to any portion of the Gross Revenues pledged for the payment of any bonds, warrants or other indebtedness, and shall find and determine that the Gross Revenues, at the rates established from time to time consistent with Section 18(d) of this ordinance, will be sufficient, in the judgment of the City Council, to meet all expenses of operation and maintenance of the Light System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of the Gross Revenue and pledged herein for the payment of the Bonds.

Section 17. Security for the Bonds. The Bonds shall be special limited obligations of the City payable from and secured solely by the Gross Revenues and by money in the Parity Bond Fund and the Reserve Fund. The Gross Revenues are pledged to make the payments into the Parity Bond Fund and the Reserve Fund required by Section 18(a) and (b) of this ordinance, which pledge shall constitute a charge upon such Gross Revenues prior and superior to all other charges whatsoever, save and except reasonable charges for maintenance and operation of the Light System.

The Bonds shall not in any manner or to any extent constitute general obligations of the City, the State of Washington or any political subdivision of the State of Washington or a charge upon any general fund or upon any money or other property of the City, the State of Washington or any political subdivision of the State of Washington not specifically pledged thereto by this ordinance.

Section 18. Bond Covenants.

(a) Parity Bond Fund. A special fund of the City known as the "Seattle Municipal Light Revenue Parity Bond Fund" (the "Parity Bond Fund") has heretofore been created by Ordinance 92938, and is now maintained as a separate account within the Light Fund, for the sole

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purpose of paying the principal of and interest on the bonds therein authorized and future bonds issued on a parity therewith as the same shall become due. The Bonds shall be payable, principal, premium, if any, and interest, out of the Parity Bond Fund.

From and after the issuance of the Bonds, and so long thereafter as obligations are outstanding against the Parity Bond Fund (including any Payment Agreement Payments required to be made under any Parity Payment Agreements), the Director of Finance shall set aside and pay into the Parity Bond Fund on or prior to the respective dates on which the interest on or principal of and interest on the Bonds shall become due and payable certain fixed amounts out of the Gross Revenues sufficient to pay such interest or principal and interest as the same shall become due.

Money in the Parity Bond Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on money and investments in the Parity Bond Fund shall be deposited in and used for the purposes of that fund.

(b) Reserve Fund. A special fund of the City known as the "Municipal Light and Power Bond Reserve Fund" (the "Reserve Fund") has heretofore been created by Ordinance 71917, as amended, and is now maintained as a separate account within the Light Fund, for the purpose of securing the payment of the principal of and interest on all Parity Bonds outstanding (including amounts due under any Parity Payment Agreements).

In the Bond Resolution, the City will specify whether it will satisfy the Reserve Fund Requirement with Qualified Insurance or a Qualified Letter of Credit or by depositing into the Reserve Fund, out of any money legally available therefor, within five (5) years from the date of issuance of the Bonds, the amount required to fund the Reserve Fund to the Reserve Fund Requirement.

Money held in the Reserve Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on money and

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investments in the Reserve Fund shall be deposited in that fund and credited against amounts required to be deposited therein until the Reserve Fund is fully funded, and thereafter such earnings shall be deposited in the Parity Bond Fund.

(i) Reserve Fund Requirement.

(A) The City shall provide in the Parity Bond Ordinance authorizing the issuance of any Future Parity Bonds for deposit into the Reserve Fund out of the Gross Revenues (or out of any other funds of the City on hand and legally available therefor, including the proceeds of the Future Parity Bonds being issued or any other Future Parity Bonds) of periodic payments so that by five (5) years from the date of such Future Parity Bonds there will have been paid into the Reserve Fund an amount which, together with the money already on deposit therein, will be at least equal to the Reserve Fund Requirement for all Parity Bonds outstanding at the end of that five-year period.

(B) Notwithstanding the foregoing, any Parity Bond Ordinance may provide for the City to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required to be paid into the Reserve Fund. The amount available to be drawn upon under such Qualified Insurance or Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Fund by Section 18(b)(i)(A).

(C) Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five (5) years' notice. In the event of receipt of any such notice of cancellation, the City shall substitute Qualified Insurance or a Qualified Letter of Credit in the amount required pursuant by Section 18(b)(i)(A) or in the alternative shall create a special account in the Light Fund and deposit therein, on or before the twenty-fifth (25th) day of each of the sixty (60) succeeding calendar months, one sixtieth (1/60th) of the amount sufficient, together with other money and investments on deposit in the Reserve Fund, to equal the Reserve Fund Requirement on the date any such cancellation shall become effective. Such amounts shall be transferred from money in the Light Fund (after making provision for payment of operating and maintenance

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expenses and for the required payments into the Parity Bond Fund). Amounts on deposit in such 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 Fund on the effective date of any cancellation of a Qualified Letter of Credit or Qualified Insurance to make up the deficiency caused thereby.

(D) If the amount in the Reserve Fund shall be less than the Reserve Fund Requirement (taking into account the five (5) year period referred to in Section 18(b)(i)(A)), the City shall transfer to the Reserve Fund money in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement within twelve (12) months after the date of such deficiency. The City shall transfer such amounts first from money in the Light Fund (after making provision for payment of operating and maintenance expenses and for the required payments into the Parity Bond Fund) and only thereafter from money in any construction fund or account established with respect to any issue of Parity Bonds, first taking money from the unrestricted portion thereof, then taking money from the restricted portion thereof. If the amount in the Reserve Fund shall be greater than the Reserve Fund Requirement, then and only then may the City withdraw such excess from the Reserve Fund and deposit such excess in the Light Fund.

(ii) Use of Reserve Fund for Refunding Bonds. If any Parity Bonds are refunded, the money set aside in the Reserve Fund to secure the payment of such Parity Bonds may be used to retire such Parity Bonds or may be transferred to any reserve fund or account which may be created to secure the payment of any bonds issued to refund such Parity Bonds, as long as the money left remaining in the Reserve Fund is at least equal, together with any Qualified Insurance or Qualified Letters of Credit, to the Reserve Fund Requirement.

(iii) Use of Reserve Fund for Payment of Debt Service. If the money in the Parity Bond Fund is insufficient to meet maturing installments of either interest on or principal of and interest on the Parity Bonds payable out of the Parity Bond Fund (including amounts payable under any Parity Payment Agreements), such deficiency shall be made up from the Reserve Fund by the withdrawal of money or proceeds of Qualified Insurance or Qualified Letters of Credit therefrom, as

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the case may be. Any deficiency created in the Reserve Fund by reason of any such withdrawal or claim against Qualified Insurance or a Qualified Letter of Credit shall then be made up out of the Gross Revenues (or out of such other funds of the City on hand and legally available therefor), after making necessary provision for the payments required to be made for operation and maintenance of the Light System and debt service on any obligations payable from such Gross Revenues.

(iv) Withdrawals From Reserve Fund. Money in the Reserve Fund may be withdrawn by the City for any lawful purpose as long as the aggregate of any money, Qualified Insurance and Qualified Letters of Credit left remaining on deposit in the Reserve Fund is at least equal to the Reserve Fund Requirement for the Parity Bonds then outstanding.

The City reserves the right to substitute Qualified Insurance or a Qualified Letter of Credit for money previously deposited in the Reserve Fund and to withdraw such money to the extent described in the preceding paragraph.

Any withdrawals from subaccounts within the Reserve Fund shall be made on a pro rata basis except when the provider of a Qualified Letter of Credit or Qualified Insurance requires all cash and investments in the Reserve Fund to be withdrawn before draws on the Qualified Letter of Credit or Qualified Insurance, or unless the City receives an opinion of Bond Counsel to the effect that such pro rata withdrawal is not required to maintain the exclusion of interest on the Parity Bonds then outstanding from gross income.

(c) Sale or Disposition of the Light System.

(i) The City may dispose of all or substantially all of the Light System if the City simultaneously causes all of the Parity Bonds to be, or deemed to be, no longer outstanding.

(ii) Except as provided below, the City will not dispose of any part of the Light System in excess of 5% of the value of the net utility plant of the Light System in service unless prior to such disposition:

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(A) there has been filed with the Director of Finance a certificate of the Professional Utility Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenant set forth in Section 18(d); or

(B) provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts:

(I) An amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of Parity Bonds then outstanding less the amount of cash and investments in the Parity Bond Fund) that the Gross Revenues for the twelve (12) preceding months attributable to the part of the Light System sold or disposed of bears to the total Gross Revenues for such period; or

(II) An amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the Light System sold or disposed of bears to the book value of the entire Light System immediately prior to such sale or disposition.

(iii) The City may dispose of any portion of the Light System that has become unserviceable, inadequate, obsolete, worn out or unfit to be used or no longer necessary, material to or useful in the operation of the Light System.

(iv) If the ownership of all or part of the Light System is transferred from the City through the operation of law, the City shall reconstruct or replace the transferred portion using any proceeds of the transfer unless the City Council determines that such reconstruction or replacement is not in the best interests of the City and the owners of the Parity Bonds, in which case any proceeds shall be used to retire Parity Bonds prior to maturity.

(d) Rates and Charges. The City will establish from time to time and maintain such rates for electric energy as will maintain the Light System in sound financial condition and provide sufficient revenues to permit the payment of sums into the special fund which the City has pledged to be set aside for the payment of principal and interest, as herein provided, to be applied to the

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payment of the principal of and interest on the Parity Bonds until the Parity Bonds shall have been paid in full, and in addition thereto, will pay all costs of operation and maintenance, and all bonds, warrants and indebtedness for which any revenues of the Light System shall have been heretofore pledged.

(e) Maintenance and Operation of the Light System. The City will operate the properties of the Light System in an efficient manner and at a reasonable cost; and will maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Light System and every part and parcel thereof in good repair, working order and condition; and from time to time will make or cause to be made all necessary and proper repairs, renewals and replacements thereto so that at all times the business carried on in connection therewith will be properly and advantageously conducted.

(f) Books and Financial Statements. The City will keep and maintain proper books of account for the Light System in accordance with generally accepted accounting principles applicable to governmental utilities, and will generally adhere to the uniform system of accounts prescribed by the Division of Municipal Corporations of the State Auditor's Office and the Federal Energy Regulatory Commission; and will prepare, on or before one hundred twenty (120) days after each calendar year, annual financial statements showing reasonable detail, including a balance sheet, an income statement and a statement of cash flows or other such statement. Copies of such financial statements shall be placed on file in the office of the Director of Finance and shall be open to inspection at any reasonable time by any owner (or beneficial owner) of any Parity Bonds. A copy of such financial statements shall be sent to any owner (or beneficial owner) of Parity Bonds, upon request in writing setting forth the name and address to which such financial statements may be sent.

(g) Issuance of Future Parity Bonds. Except as provided in Section 18(h) of this ordinance for the issuance of Refunding Parity Bonds, Future Parity Bonds may be issued (and Parity Payment Agreements may be entered into), from time to time in one or more series for any lawful purpose of the City's Light Department, only if at the time of the delivery of each series of

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Future Parity Bonds to the initial purchasers thereof (or on the effective date of the Parity Payment Agreement):

(i) There is no deficiency in the Parity Bond Fund or in any of the accounts therein and provision has been made to meet the Reserve Fund Requirement for all Parity Bonds then outstanding plus such proposed series of Parity Bonds; and

(ii) There shall have been filed with the City either:

(A) a certificate of the Director of Finance stating that Net Revenue in any twelve (12) consecutive months out of the most recent twenty-four (24) months preceding the delivery of the Parity Bonds then proposed to be issued (the "Base Period") was not less than one hundred twenty-five percent (125%) of maximum Annual Debt Service in any future calendar year on all Parity Bonds then outstanding and the Parity Bonds then proposed to be issued (except that if any adjustment in the rates, fees and charges for the services of the Light System shall be effective at any time on or prior to the date of delivery of the Parity Bonds then proposed to be issued or within six (6) months after the delivery of such Parity Bonds, the Director of Finance shall reflect in his or her certificate the Net Revenue he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period), or

(B) a certificate of the Professional Utility Consultant setting forth:

(I) the amount of the Adjusted Net Revenue computed as provided in paragraph (C) below;

(II) the amount of maximum Annual Debt Service in any calendar year thereafter on account of all Parity Bonds to be outstanding in such calendar year, including the Parity Bonds proposed to be issued, and stating that the amount shown in paragraph (B)(I) above is not less than one hundred twenty-five percent (125%) of the amount shown in this paragraph (B)(II).

"Net Revenue" as used in this Section 18(g) means that amount determined by deducting from the Gross Revenues the expenses of operation, maintenance and repair of the Light System, *except that on the New Covenant Date, "Net Revenue" as used in this Section 18(g) shall mean that*

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amount determined by deducting from the Gross Revenues the expenses of operation, maintenance and repair of the Light System and further deducting any deposits into the Rate Stabilization Account, and by adding to Gross Revenues any withdrawals from the Rate Stabilization Account.

(iii) For the purposes of the certificate required by paragraph (ii) above, Adjusted Net Revenue shall be computed by the Professional Utility Consultant as follows:

The Net Revenue for the Base Period shall be adjusted by any or all of the following conditions and requirements as may be appropriate to the circumstances:

(A) If the Parity Bonds are being issued for the purpose of acquiring operating electric utility properties having an earnings record, the Professional Utility Consultant shall estimate the effect on the Net Revenue for the Base Period of the acquisition of such electric utility properties and the integration thereof into the Light System, and shall adjust the Net Revenue for the Base Period to give effect to such estimate. Any such estimate shall be based upon the operating experience and records of the City and upon any available financial statements and records relating to the earnings of such electric utility properties to be acquired.

(B) If any changes have been adopted by the City Council and are in effect on the date of sale of the Parity Bonds or are to go into effect not later than twelve (12) months after such date, in any rates and charges imposed by the City on sales of power and energy and other services furnished by the Light System which were not in effect during the entire Base Period, the Professional Utility Consultant may, if such changes resulted in increases in such rates and charges, and shall, if such changes resulted in reductions in such rates and charges, adjust the Net Revenue for the Base Period to reflect any change in such Net Revenue which would have occurred if the changed rates and charges had been in effect during the entire Base Period.

(C) If the purpose for which the Parity Bonds are being issued is to acquire or construct generation or transmission facilities required to furnish or make available to the Light System additional power and energy, or transmission facilities required to enable the City to sell additional power and energy, the Professional Utility Consultant may adjust the Net Revenue for the

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Base Period by (a) deducting the amount of the estimated increase in Operating Expenses resulting from the acquisition or construction of such facilities in their first year of full operation, (b) adding any additional revenues to be derived from the sale or transmission of such additional power and energy pursuant to executed power sales contracts, and (c) adding an amount equal to the estimated cost of the power and energy which would have been replaced or displaced by such facilities had such additional power and energy in excess of the power and energy to be sold pursuant to clause (b) above been used in the Light System during the Base Period.

(D) If there were any customers added to the Light System during the Base Period or thereafter and prior to the date of the Professional Utility Consultant's certificate, the Net Revenue may be adjusted on the basis that such added customers were customers of the Light System during the entire Base Period.

(E) If extensions of or additions to the Light System (not described in subparagraph (C) above) are in the process of construction on the date of the Professional Utility Consultant's certificate, or if the proceeds of the Parity Bonds being issued are to be used to acquire or construct extensions of or additions to the Light System (not described in subparagraph (C) above), the Net Revenue for the Base Period may be adjusted by adding any additional revenues not included in the preceding paragraphs that will be derived from such additions and extensions and deducting the estimated increase in operating and maintenance expenses resulting from such additions and extensions.

(F) The Net Revenue for the Base Period may be adjusted by excluding from the determination of expenses of operation, maintenance and repair of the Light System any extraordinary, nonrecurring expenses of the Light System or any judgments or amounts to be paid in settlement of claims against the Light System.

(iv) In rendering any certificate under this Section 18(g), the Professional Utility Consultant may rely upon, and such certificate shall have attached thereto, (A) financial statements of the Light System, certified by the Director of Finance, showing income and expenses for the

CITY CLERK

period upon which the same are based and a balance sheet as of the end of such period, (B) similar certified statements by the Division of Municipal Corporations of the Office of the State Auditor of the State (or any successor thereto), or (C) similar certified statements by a Certified Public Accountant for as much of such period as any examination by them has been made and completed. If two or more of such statements are inconsistent with each other, the Professional Utility Consultant shall rely on the statement described under clause (A) in this Section 18(g)(iv).

(h) Issuance of Refunding Parity Bonds.

(i) Without complying with the provisions of Section 18(g) of this ordinance, the City may at any time and from time to time issue one or more series of Refunding Parity Bonds, but only if there shall have been filed with the City a certificate of the Director of Finance stating that Annual Debt Service immediately after the issuance of such Refunding Parity Bonds (calculated by including debt service on the Refunding Parity Bonds but excluding debt service on the bonds to be refunded with the proceeds thereof) does not exceed the Annual Debt Service immediately prior to the issuance of the Refunding Parity Bonds (calculated by including debt service on the bonds to be refunded but excluding debt service on the Refunding Parity Bonds) by more than $5,000 in any calendar year that any then-outstanding Parity Bonds are anticipated to be outstanding.

(ii) Parity Bonds of any one or more series or one or more maturities within a series may be refunded by a single series of Refunding Parity Bonds, which Parity Bonds to be refunded shall be specified in the Parity Bond Ordinance providing for the issuance of the Refunding Parity Bonds, and the principal amount of such Refunding Parity Bonds may include amounts necessary to pay the principal of the Parity Bonds to be refunded, interest thereon to the date of payment or redemption thereof, any premium payable thereon upon such payment or redemption and the costs of issuance of such Refunding Parity Bonds. The proceeds of the Refunding Parity Bonds shall be held and applied in such manner as is provided in the Parity Bond Ordinance providing for the issuance of such Refunding Parity Bonds, so that upon the delivery of such Refunding Parity Bonds the Parity Bonds to be refunded thereby shall be deemed to be no longer outstanding in

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accordance with the provisions of the Parity Bond Ordinance providing for the issuance of those bonds.

(iii) Refunding Parity Bonds may also be issued upon compliance with the provisions of Section 18(g) of this ordinance.

(iv) Nothing contained in this ordinance shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the City from issuing Refunding Parity Bonds to fund or refund maturing Parity Bonds of the City for the payment of which money is not otherwise available.

Section 19. Preservation of Tax Exemption for Interest on Bonds. The City covenants that it will take all actions consistent with the terms of the Bonds, this ordinance and the Bond Resolution, reasonably within its power and necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes.

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

Section 20. Advance Refunding or Defeasance of Bonds. The City may issue advance refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and premium, if any, and interest on the Bonds, or any portion 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 sufficient in amount, together with known earned income from the investments thereof, to redeem and retire, release, refund or defease the Defeased Bonds in accordance with their terms, are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance (the "Trust Account"), then all right and interest of the owners of the Defeased Bonds in the covenants of this ordinance and in the Gross

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Revenue and the funds and accounts pledged to the payment of the Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such owners thereafter shall have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any Defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the Defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for defeased Bonds.

After the establishing and full funding of such a Trust Account, the Defeased Bonds shall be deemed no longer outstanding and the City may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other Parity Bonds.

If the refunding plan provides that the Defeased Bonds be secured by money and/or Government Obligations pending the prior redemption of the Defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior redemption of the Defeased Bonds included in that refunding plan, then only the debt service on the Bonds which are not Defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of the coverage requirement for the issuance of Future Parity Bonds and for determining compliance with rate covenants.

Section 21. Amendments.

(a) Amendments Without Bond Owners' Consent. The City Council from time to time and at any time may pass a resolution or resolutions, or ordinance or ordinances, supplemental hereto, which resolution or resolutions, ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more of the following purposes:

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(i) To add to the covenants and agreements of the City contained in this ordinance other covenants and agreements thereafter to be observed which shall not adversely affect the interests of the owners of any Parity Bonds then outstanding, or to surrender any right or power herein reserved to or conferred upon the City.

(ii) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance in regard to matters or questions arising under this ordinance as the City Council may deem necessary or desirable and not inconsistent with this ordinance and which shall not adversely affect the interests of owners of any Parity Bonds then outstanding in any material respect.

(iii) To make such changes as are necessary to permit the Bonds to be held in registered certificate form or in fully immobilized form by a Securities Depository other than DTC.

Any such supplemental resolution or ordinance of the City may be passed without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of Section 21(b) of this ordinance, but only upon receipt by the City of an opinion of Bond Counsel to the effect that the amendment is permitted by the terms of this ordinance. The City shall deliver a copy of any such supplemental resolution or ordinance to Moody's, S&P or any other rating agency then maintaining a rating on any Parity Bonds then outstanding prior to its passage by the City.

(b) Amendments With Bond Owners' Consent. The City Council may, with the consent of the owners of not less than sixty percent (60%) in aggregate principal amount of the Parity Bonds then outstanding, pass a resolution or resolutions or ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental resolution or ordinance, except no such supplemental resolution or ordinance shall:

(i) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the times of payment of interest from their respective due dates, or reduce the

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amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Parity Bond so affected; or

(ii) Reduce the aforesaid percentage of bond owners required to approve any such supplemental resolution or ordinance, without the consent of the owners of all of the Parity Bonds then outstanding.

For purposes of determining whether the owners of the requisite percentage of principal amount of Parity Bonds have consented to any amendment to this ordinance, the Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount thereof.

It shall not be necessary for the consent of bond owners under this Section 21(b) to approve the particular form of any proposed supplemental ordinance or resolution, but it shall be sufficient if such consent shall approve the substance thereof.

(c) Effect of Amendment. Upon the passage of any supplemental resolution or ordinance pursuant to the provisions of this section, this ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental resolution or ordinance shall be deemed to be a part of the terms and conditions of this ordinance for any and all purposes.

(d) Notation on Bonds. Parity Bonds executed and delivered after the execution of any supplemental resolution or ordinance passed pursuant to the provisions of this Section 21 may have a notation as to any matter provided for in such supplemental resolution or ordinance, and if such supplemental resolution or ordinance shall so provide, new bonds modified to conform, in the opinion of the City Council, to any modification of this ordinance contained in any such supplemental resolution or ordinance may be prepared by the City and delivered without cost to the owners of any affected Parity Bonds then outstanding, upon surrender for cancellation of such bonds in equal aggregate principal amounts.

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Section 22. Rate Stabilization Account. There is hereby established in the Light Fund a Rate Stabilization Account. On the New Covenant Date, the City may at any time deposit in the Rate Stabilization Account, Gross Revenue and any other money received by the Light System and available to be used therefor. Thereafter, the City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in the Net Revenue for any fiscal year of the City. Such deposits or withdrawals may be made up to and including the date ninety (90) days after the end of the fiscal year for which the deposit or withdrawal will be included as Net Revenue.

Section 23. Sale of Bonds. At least 10 days before the City Council adopts a Bond Resolution for a series of Bonds, the Director of Finance shall notify the President of the City Council, in writing, of the Director of Finance's determination that the issuance of the series of Bonds is consistent with the then-current financial policies of the City. The notice shall set forth the reasons for the Director of Finance's determination. Upon giving such notice, the Director of Finance may provide for the sale of that series of Bonds (or any portion thereof) by public sale or by a negotiated sale with an underwriter or other financial institution chosen through a selection process acceptable to the Director of Finance. The City Council's adoption of the Bond Resolution shall be conclusive evidence that proper notice was provided to the President of the City Council. The Director of Finance is authorized to specify a date and time of sale of the Bonds, to give notice of that sale, to determine any bid requirements and criteria for determining the award of the bid, to provide for the use of an electronic bidding mechanism, and to specify other matters in his or her determination necessary, appropriate, or desirable to carry out the sale of the Bonds. The terms of that sale shall be consistent with this ordinance and the Bond Resolution and shall be confirmed by the Bond Resolution. The Bonds shall be delivered to the purchasers as provided in the Bond Resolution immediately upon payment to the City of the purchase price plus accrued interest, if any, to the Closing Date in immediately available federal funds in Seattle, Washington, at the City's expense or at another time or place upon which the Director of Finance and the purchaser may mutually agree at the purchaser's expense.

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CUSIP numbers (if required) will be printed on the Bonds, but neither failure to print CUSIP numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchasers to accept delivery of and pay for the Bonds in accordance with the purchase offer. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City, but the fee of the CUSIP Service Bureau for the assignment of those numbers shall be the responsibility of and shall be paid by the purchasers.

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

Section 24. Continuing Disclosure. The City shall undertake to provide for the benefit of holders of the Bonds disclosure of certain financial information and operating data of the type included in the final official statement, if any, for the Bonds, as well as disclosure of certain material events respecting the Bonds, in the manner and to the extent required by United States Securities and Exchange Commission Rule 15c2-12. The particular terms of the undertaking shall be set forth in the Bond Resolution.

Section 25. General Authorization. The Mayor and the Director of Finance and each of the other appropriate officers of the City are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. In particular, and without limitation, the Director of Finance may, in his discretion and without further action by the City Council, (a) issue requests for proposals for underwriting or financing facilities and execute engagement letters with underwriters, bond insurers or other financial institutions based on responses to such requests, (b) deem final and approve the distribution of any preliminary official statement or official statement relating to the Bonds, (c) comply with any continuing disclosure requirements applicable to the Bonds and (d) change the Bond Registrar or Securities Depository for the Bonds.

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Section 26. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 27. Ratification of Prior Acts. Any action taken consistent with the authority but prior to the effective date of this ordinance, including, if applicable, but not limited to issuing requests for proposals for financing or underwriting services, executing engagement letters for financing or underwriting services based on responses to such requests, giving notices of the sale of Bonds, adopting the Bond Resolution, executing contracts, making fund transfers and paying warrants, is ratified, approved and confirmed.

Section 28. Headings. Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

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Section 29. Effective Date. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 26th day of September, 2005, and signed by me in open session in authentication of its passage this 26th day of September, 2005.

President _____ of the City Council

Approved by me this 3rd day of October, 2005.

Gregory J. Nickels, Mayor

Filed by me this 3rd day of October, 2005.

City Clerk

(SEAL)

50550163.04

CITY CLERK

EXHIBIT A

CITY OF SEATTLE
Utility Refunding Candidates

Municipal Light & Power Revenue Bonds				
Issue Name	Dated Date	Original Par Amount	Outstanding Balance 6/30/05	Bond Legislation
Municipal Light and Power Revenue Bonds, 1997	12/1/1997	$30,000,000	$28,100,000	Ordinance 118745 and Resolution 29686
Municipal Light and Power Refunding Revenue Bonds, 1998, Series A	1/1/1998	$104,650,000	$101,380,000	Ordinance 118744 and Resolution 29687
Municipal Light and Power Refunding Revenue Bonds, 1998, Series B	10/1/1998	$90,000,000	$84,665,000	Ordinance 119141 and Resolution 29851
Municipal Light and Power Revenue Bonds, 2000	12/1/2000	$98,830,000	$98,830,000	Ordinance 120131 and Resolution 30274
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2001	3/15/2001	$503,700,000	$494,320,000	Ordinance 120274 and Resolution 30298
Municipal Light and Power Refunding Revenue Bonds, 2002	12/1/2002	$87,735,000	$80,195,000	Ordinance 120931 and Resolution 30549
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2003	8/20/2003	$251,850,000	$241,935,000	Ordinance 121198 and Resolution 30618
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2004	12/23/2004	$284,855,000	$284,855,000	Ordinance 121637 and Resolution 30732

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City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

August 30, 2005

Honorable Jan Drago
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Drago:

I am pleased to transmit the attached proposed Council Bill that provides authorization for the refunding of City Light's revenue bonds. The authorization, which covers both outstanding bonds and bonds to be issued in the future, will remain in effect for ten years. The City Council approved similar legislation for general obligation bonds last year, which resulted in a $3.4 million present value savings.

Interest rates in recent years have been unusually volatile. There have been times when this has made it difficult for the City to access the bond market in the timeliest, most advantageous, manner because of the long lead time required for the passage of refunding legislation on a case-by-case basis. The proposed legislation requires the Director of Finance to notify the City Council in writing at least ten days prior to any refunding bond issue, confirming that the proposed refunding meets the requirements of applicable City financial policies. As is the case in all of the City's bond issues, the Council must pass a Resolution accepting the terms of the refunding at the time the bonds are issued.

The refunding authorization proposed in this Bill will make it possible for the City to react in a more timely manner when conditions in the bond market present refunding opportunities, thereby maximizing potential savings. Thank you for your consideration of this legislation. Should you have questions, please contact Michael van Dyck at 684-8347.

Sincerely,

for

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749
Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, Email: mayors.office@seattle.gov
An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.

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Form revised December 9, 2004

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
City Light/DOF	Steve Call/684-4649	Michael Van Dyck/684-8347

Legislation Title:

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power 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 municipal light and power revenue bonds and issuing and selling 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.

- **Summary of the Legislation:** This legislation provides authorization for the refunding of City Light's outstanding and future revenue bonds for a period of ten years.

- **Background:** Market interest rates in recent years have been unusually volatile. When rates fall, substantial savings may be realized if the City can act quickly to refund (refinance) its outstanding bonds. When a refunding opportunity emerges, there may not be sufficient time for the City to follow its normal process of drafting, reviewing, and adopting an authorizing ordinance. The attached legislation authorizes the City to refund any of its outstanding light and power revenue bonds. Council approved similar legislation for general obligation bonds last year which resulted in a $3.4 million present value savings. This legislation would provide the same opportunity to City Light. Having in place a continuing authorization to refund outstanding bonds will enhance the ability of the City to schedule and structure its refunding bond issues so as to maximize the potential savings.

  Refundings are guided by the Council-adopted Debt Management Policies. The City's Finance Director will notify the City Council President at least 10 days in advance of any refunding of light and power revenue bonds authorized by this ordinance.

- *Please check one of the following:*

____ **This legislation does not have any financial implications.** (*Stop here and delete the remainder of this document prior to saving and printing.)*

__X__ **This legislation has financial implications.** *(Please complete all relevant sections that follow.)*

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- **What is the financial cost of not implementing the legislation?** This legislation enables the City to act quickly despite the unpredictable nature of interest rates. There are frequently market conditions under which a two or three week delay could cost many millions of dollars in lost refunding savings.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** There are no other alternatives that would achieve the same objective.

- **Is the legislation subject to public hearing requirements:** No.

- **Other Issues:** The legislation enhances existing controls over the refunding process. At least 10 days prior to any refunding bond issue, the proposed legislation requires the Director of Finance to notify the City Council in writing issue that the proposed refunding meets the requirements of applicable City financial policies. As is the case in all of the City's bond issues, the Council must pass a resolution accepting the terms of the refunding issue at the time the bonds are issued.

CITY CLERK

STATE OF WASHINGTON – KING COUNTY

--ss.

190651 No.
CITY OF SEATTLE,CLERKS OFFICE

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:121941 ORDINANCE

was published on

10/07/05

The amount of the fee charged for the foregoing publication is the sum of $3,055.19, which amount has been paid in full.

Subscribed and sworn to before me on

10/07/05

Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication

City of Seattle

ORDINANCE 121941

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power 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 municipal light and power revenue bonds and issuing and selling 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.

WHEREAS, The City of Seattle, Washington (the "City"), owns, operates and maintains an electric system (the "Light System"); and

WHEREAS, the City issued municipal light and power revenue bonds pursuant to the ordinances and resolutions set forth in Exhibit A to this ordinance (the "Outstanding Parity Bonds"); and

WHEREAS, the City has determined that it is in the best interest of the City to authorize the issuance and sale, subject to the provisions of this ordinance, of municipal light and power refunding revenue bonds (collectively, the "Bonds"), in one or more series, for the purpose of paying all or part of the cost of refunding all or a portion of the Outstanding Parity Bonds, the Bonds and certain municipal light and power revenue bonds hereafter issued (collectively, the "Refundable Bonds") and of paying all or part of the costs of issuance and sale of the Bonds; and

WHEREAS, the City from time to time will receive, review and adopt a plan to refund selected maturities of those Refundable Bonds, which selected maturities will be identified in the Bond Resolutions (hereinafter defined); and

WHEREAS, this ordinance will allow the refunding of any Refundable Bonds only if the refunding is (a) consistent with City financial policies in effect at the time of the proposed refunding and (b) approved by resolution of the City Council; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words and phrases shall have the meanings set forth below.

"Accreted Value" means with respect to any Capital Appreciation Bonds (a) as of any Valuation Date, the amount set forth for such date in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds 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, times (B) the difference between the Accreted Values for such Valuation Dates.

"Acquired Obligations" means those Government Obligations purchased to accomplish the refunding of the Refunded Bonds, consistent with the Refunded Bond Legislation and any applicable agreements with bond insurers.

"Adjusted Net Revenue" has the meaning assigned to that term in Section 18(g)(iii).

"Annual Debt Service" for any calendar year means the sum of the amounts required in such calendar year to pay:

(a) the interest due in such calendar year on all Parity Bonds outstanding, excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; and

(b) the principal of all outstanding Serial Bonds due in such calendar year; and

(c) the Sinking Fund Requirement, if any for such calendar year.

For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and unpaid and accruing interest or principal in such manner and during such period of time as is specified in any Parity Bond Ordinance authorizing such Capital Appreciation Bonds.

For purposes of calculating and determining compliance with the Reserve Fund Requirement and conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment Agreements:

State of Washington, King County

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

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

(iii) Interest on Parity Bonds With Respect to Which a Payment Agreement is in Force. Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement, including but not limited to the effects produced by the following: (A) Parity Bonds that would, but for a Payment 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 would be payable at the rate or rates stated 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 Parity Bonds. Notwithstanding the other provisions of this subparagraph (iii), the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten (10) years or less;

(iv) Parity Payment Agreements. No additional debt service shall be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on related Parity Bonds under subparagraph (iii) of this definition. However, for any period during which Payment Agreement Payments are not taken into account in calculating Annual Debt Service on any 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 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.

"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.

"Bond Register" means the books or records maintained by the Bond Registrar for the purpose of registration of the Bonds.

"Bond Registrar" or "Registrar" means the fiscal agency of the State of Washington, or any successor bond registrar selected by the City, whose duties include the registration and authentication of the Bonds, maintenance of the Bond Register, effecting transfer of ownership of the Bonds, and paying the principal of and premium, if any, and interest on the Bonds.

"Bond Resolution" means the resolution or resolutions of the City Council adopted pursuant to this ordinance to specify certain additional provisions of each series of the Bonds and their sale..

"Bonds" means the refunding bonds issued in one or more series from time to time pursuant to, under the authority of and for the purposes provided in this ordinance.

"Capital Appreciation Bonds" means any Parity Bonds as to which interest is payable only at the maturity or prior redemption of such Parity Bonds. For the purpose of (a) receiving payment of the redemption premium, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, or (b) computing the principal amount of Parity Bonds held by the owner of a Capital Appreciation Bond in giving to the City or the paying agent for those bonds any notice, consent, request, or demand pursuant to this ordinance or for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

"City" means The City of Seattle, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

"City Council" means the City Council of the City.

"Closing Date" means the date on which a series of Bonds is delivered to the initial purchaser or purchasers thereof upon payment in full therefor.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto, and all applicable regulations thereunder.

"DTC" means The Depository Trust Company, New York, New York, as initial Securities Depository for the Bonds.

"Director of Finance" means the Director of Finance of the City, or any successor thereto.

"Future Parity Bonds" means any fixed or variable rate revenue bonds of the City (other than the Bonds) issued hereafter having a charge or lien upon the Gross Revenues for payment of the principal thereof and interest thereon equal in priority to the charge or lien upon the Gross Revenues of the Light System for the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds. Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in compliance with Section 18(g) or Section 18(h).

"Government Obligations" means those government obligations defined by RCW 39.53.010(9) as it now reads or hereafter may be amended or replaced.

"Gross Revenues" means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Light 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 Light System; (c) Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and (d) the investment income earned on money held in any fund or account of the City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Light System. Gross Revenues do not include: (A) insurance proceeds compensating the City for the loss of a capital asset; (B) income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenues; (C) investment income earned on money in any fund or account created or maintained solely for the purpose of complying with the arbitrage rebate provisions of the Code; (D) any gifts, grants, donations or other funds received by the City from any State or federal agency or other person if such gifts, grants, donations or other funds are the subject of any limitation or reservation imposed by the donor or grantor or imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenues hereunder; (E) the proceeds of any borrowing for capital improvements (or the refinancing thereof); and (F) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues).

"Letter of Representations" means, for each series of Bonds, the Letter of Representations relating to the Bonds to be delivered by the City to DTC.

"Light Fund" means the special fund of the City of that name heretofore created and established by the City Council.

"Light System" means the municipal light and power plant and system now belonging to or which may hereafter belong to the City.

"Mayor" means the Mayor of the City.

"Moody's" means Moody's Investors Service, Inc.

"Net Revenue" for any period has the meaning assigned to that term in Section 18(g)(ii).

"New Covenant Date" means the date on which no 1994 Bonds, 1995A Bonds, 1995B Bonds, 1996 Bonds, 1997 Bonds, 1998A Bonds, 1998B Bonds, 1999 Bonds or 2000 Bonds remain outstanding under the respective ordinances authorizing the issuance of such bonds.

"Outstanding Parity Bonds" means, collectively, the outstanding 1996 Bonds, 1997 Bonds, 1998A Bonds, 1998B Bonds, 1999 Bonds, 2000 Bonds, 2001 Bonds, 2002 Bonds, 2003 Bonds and 2004 Bonds, as described in Exhibit A.

"Parity Bond Fund" means the Seattle Municipal Light Revenue Parity Bond Fund established pursuant to Ordinance 92938 and now treated as a separate account within the Light Fund.

"Parity Bond Ordinance" means any ordinance or resolution passed or adopted by the City Council providing for the issuance of Parity Bonds, and any other ordinance or resolution amending or supplementing the provisions of any Parity Bond Ordinance as originally passed or adopted or as theretofore amended or supplemented.

"Parity Bonds" means the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

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

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

"Payment Agreement Payments" means the amounts, periodically required to be paid by the City to the Qualified Counterparty pursuant to a Payment Agreement.

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

"Permitted Investments" means any investments or investment agreements permitted for the investment of City funds under the laws of the State of Washington as amended from time to time.

"Professional Utility Consultant" means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with electric systems of comparable size and character to the Light System in such areas as are relevant to the purposes for which they were retained.

"Qualified Counterparty" means a party (other than the City or a person related to the City) who is the other party to a Payment Agreement and who is qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

"Qualified Insurance" means any municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest rating categories by Moody's and S&P or their comparably recognized business successors.

"Qualified Letter of Credit" means any letter of credit issued by a financial institution for the account of the City on behalf of the owners of Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit is rated in one of the two highest rating categories by Moody's and S&P or their comparably recognized business successors.

"Rate Stabilization Account" means the fund of that name created in the Light Fund for the purposes described in this ordinance.

"RBI" means The Bond Buyer Revenue Bond Index or comparable index, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate for actively traded thirty (30) year United States Treasury obligations.

"Refundable Bonds" means, collectively, all or a portion of any Outstanding Parity Bonds and the Bonds, and all or a portion of those Future Parity Bonds that have been designated as Refundable Bonds in the applicable Parity Bond Ordinance.

"Refunded Bonds" means those Refundable Bonds included in a Refunding Plan.

"Refunded Bond Legislation" means one or more of the ordinances and resolutions of the City pursuant to which the Refunded Bonds were issued.

"Refunding Parity Bonds" means Parity Bonds issued pursuant to Section 18(h) of this ordinance for the purpose of refunding bonds of any prior series of Parity Bonds.

"Refunding Plan" means, with respect to the issuance of each series of Bonds, the refunding of all or a portion of the Refundable Bonds through the issuance of such series, as more particularly described in the Bond Resolution.

"Refunding Trust Agreement" means, with respect to each series of Bonds, a refunding trust or escrow agreement between the City and a Refunding Trustee, dated as of the Closing Date of such series, providing for the safekeeping of certain Bond proceeds and the refunding of all or a portion of the Refundable Bonds.

"Refunding Trustee" means, for each series of Bonds, the Director of Finance, or the trustee or escrow agent designated by the Director of Finance, consistent with the Refunded Bond Legislation and any applicable agreements with Bond Insurers.

"Reserve Fund" means the Municipal Light and Power Bond Reserve Fund established pursuant to Ordinance 71917, as amended, and now treated as a separate account within the Light Fund.

"Reserve Fund Requirement" means, at any time, the lesser of (a) the maximum Annual Debt Service on all Parity Bonds then outstanding; and (b) the maximum amount permitted by the Code as a "reasonably required reserve or replacement fund." *Notwithstanding the foregoing, on the New Covenant Date, "Reserve Fund Requirement" shall mean, for any issue of Future Parity Bonds, the Reserve Fund Requirement specified for that issue, and the Reserve Fund Requirement for all series of Future Parity Bonds shall be the sum of the Reserve Fund Requirement for all such Future Parity Bonds.*

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc.

"Securities Depository" means any one of the following registered securities depositories which has been designated by the City: (i) DTC; (ii) Midwest Securities Trust Company, Chicago, Illinois, (iii) Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; or (iv) such other securities depositories as the City may designate in a certificate of the City delivered to the Bond Registrar.

"Serial Bonds" means Parity Bonds maturing in specified years, for which no Sinking Fund Requirements are mandated.

"Sinking Fund Account" means any account created in the Parity Bond Fund to amortize the principal or make mandatory redemptions of Term Bonds.

"Sinking Fund Requirement" means, for any calendar year, the principal amount and premium, if any, of Term Bonds required to be purchased, redeemed, paid at maturity or paid into any Sinking Fund Account for such calendar year as established by the Parity Bond Ordinance authorizing the issuance of such Term Bonds.

"State" means the State of Washington.

"Subordinate Lien Bonds" means, collectively, the City's outstanding Municipal Light and Power Adjustable Rate Revenue Bonds, 1990, Municipal Light and Power Adjustable Rate Revenue Bonds, 1991, Series A and B, Municipal Light and Power Adjustable Rate Revenue Bonds, 1993, and Municipal Light and Power Adjustable Rate Revenue Bonds, 1996, and any bonds issued hereafter, having a charge or lien upon the Gross Revenues of the Light System on a parity with those bonds.

"Term Bonds" means any Parity Bonds identified as such in the Parity Bond Ordinance authorizing the issuance thereof, which Parity Bond Ordinance requires that all or a portion of such bonds be purchased, redeemed or paid prior to maturity in a schedule established thereby.

"Valuation Date" means, with respect to any Capital Appreciation Bonds, the date or dates set forth in any Parity Bond Ordinance authorizing such Parity Bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds.

"Variable Interest Rate" means any variable interest rate or rates to be borne by any Parity Bonds. The method of computing such a variable interest rate shall be as specified in the Parity Bond Ordinance authorizing or specifying the terms of such Parity Bonds, which Parity Bond Ordinance also shall specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

"Variable Interest Rate Bonds" means, for any period of time, any Parity Bonds that bear a Variable Interest Rate during that period, except that Parity Bonds shall not be treated as Variable Interest Rate Bonds if the net economic effect of interest rates on particular Parity Bonds of an issue and interest rates on other Parity Bonds of the same issue, as set forth in the applicable Parity Bond Ordinance, or the net economic effect of a Payment Agreement with respect to particular Parity Bonds, in either case is to produce obligations that bear interest at a fixed interest rate; and Parity Bonds with respect to which a Payment Agreement is in force shall be treated as Variable Interest Rate Bonds if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Section 2. Authorization and Description of Bonds; Bond Resolution. The City is authorized to issue Bonds for the purpose of providing all or a part of the funds with which to pay the cost of refunding, defeasing, or refunding and defeasing, the Refunded Bonds and to pay all or part of the costs of issuing and selling the Bonds. The Bonds may be issued in one or more series at any time on or before December 31, 2015, and may be combined with other Parity Bonds authorized separately. The maximum principal amount of any series of the Bonds shall not exceed 125% of the then-outstanding principal amount of the Refundable Bonds refunded by that series of Bonds.

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

With respect to each series of Bonds, the City Council may adopt the Bond Resolution and in that resolution may provide for the matters described in this ordinance, including the manner of sale and delivery of and payment for the Bonds, the refunding of the Refunded Bonds, and such other matters that the City Council deems necessary and appropriate to carry out the purposes of this ordinance. Once adopted, the Bond Resolution shall be deemed a part of this ordinance as if set forth herein.

For each series of Bonds, the Bond Resolution may provide for Qualified Insurance or a Qualified Letter of Credit, and conditions or covenants relating thereto, including additional terms, conditions and covenants relating to the Bonds that are required by the bond insurer or letter of credit provider and are consistent with the provisions of this ordinance, including but not limited to restrictions on investments and requirements of notice to and consent of the bond insurer or letter of credit provider.

For each series of Bonds, the Bond Resolution may approve and authorize the execution and delivery on behalf of the City of any contracts consistent with the provisions of this ordinance for which the City's approval is necessary or to which the City is a party and that are related or incidental to the initial issuance and sale of the Bonds, the initial establishment of the interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited to Payment Agreements and similar contracts for such purposes.

The Bond Resolution for each series of Bonds shall identify the Refunded Bonds to be refunded by that series, shall establish the terms and conditions upon which the Refunded Bonds are to be refunded, and shall confirm the Director of Finance as, or the Director of Finance's appointment of, the Refunding Trustee. The City Council may specify in the Bond Resolution the amount, if any, from the proceeds of or accrued interest on the Bonds to be deposited into specified funds, subfunds, accounts and subaccounts. In the absence of such a determination and specification in the Bond Resolution, the Director of Finance may make such determination and specification.

Section 3. Allocation of the Bonds to the Refunded Bonds. With respect to each series of Bonds, the City Council shall, by the Bond Resolution, provide for the allocation of that series of Bonds to the various series of the Refunded Bonds in a manner consistent with the Code. Such allocation shall be reflected in schedules attached to the Bond Resolution.

Section 4. Registration and Transfer or Exchange of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the registered owner of each Bond and the principal amount and number of each of the Bonds held by each registered owner.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same series, interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the registered owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the period between any record date and the next succeeding principal or interest payment or redemption date.

The City appoints DTC as initial Securities Depository for the Bonds. For so long as DTC is the Securities Depository for the Bonds, DTC shall be deemed to be the registered owner of the Bonds for all purposes hereunder, and all references in this ordinance or the Bond Resolution to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the owners of any beneficial interests in the Bonds. Payments of principal of and interest on all outstanding Bonds registered in the name of the nominee of DTC, or its registered assign, shall be made as provided in the Letter of Representations.

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

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

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

The City and the Bond Registrar may treat DTC, or any nominee thereof, as the sole and exclusive registered owner of the Bonds registered in such name for the purposes of payment of the principal of, premium, if any, or interest on those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to registered owners of Bonds under this ordinance or the Bond Resolution, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners of Bonds and for all other purposes whatsoever; and the City and the Bond Registrar shall not be affected by any notice to the contrary. The City and the Bond Registrar shall not have any responsibility or obligation to any direct or indirect DTC participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such direct or indirect participant, or any other person which is not shown on the Bond Register as being a registered owner of Bonds, with respect to: (1) the Bonds; (2) any records maintained by DTC or any such direct or indirect participant; (3) the payment by DTC or any such direct or indirect participant of any principal of, premium, if any, or interest on the Bonds; (4) any notice which is permitted or required to be given to registered owners of Bonds under this ordinance or the Bond Resolution; (5) the selection by DTC or any direct or indirect participant of any person to receive payment in the event of a partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as registered owner of the Bonds.

So long as the Bonds are registered in the name of DTC or any nominee thereof, all notices required or permitted to be given to the registered owners of such Bonds under this ordinance or the Bond Resolution shall be given to DTC as provided in the Letter of Representations, in form and content satisfactory to DTC, the City and the Bond Registrar.

In connection with any notice or other communication to be provided to registered owners pursuant to this ordinance or the Bond Resolution by the City or the Bond Registrar with respect to any consent or other action to be taken by registered owners of the Bonds, DTC shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action; however, the City or the Bond Registrar may establish a special record date for such consent or other action and shall give DTC notice of such special record date not less than fifteen (15) calendar days in advance of such special record date to the extent possible.

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

The book-entry system for registration of the ownership of the Bonds in fully immobilized form may be discontinued at any time if: (1) after notice to the City and the Bond Registrar, DTC determines to resign as Securities Depository for the Bonds; or (2) after notice to DTC and the Bond Registrar, the City determines that a continuation of the system of book-entry transfers through DTC (or through a successor Securities Depository) is not in the best interests of the City. In each of such events (unless, in the case described in clause (1) above, the City appoints a successor Securities Depository), the Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the City or the Bond Registrar for the accuracy of such designation. Whenever DTC requests the City and the Bond Registrar to do so, or whenever the City requests DTC and the Bond Registrar to do so after the determination by the City to replace DTC with a successor Securities Depository, the City and the Bond Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another Securities Depository to maintain custody of certificates evidencing the Bonds.

Section 5. Mutilated, Lost, Stolen and Destroyed Bonds. In case any Bonds issued hereunder shall become mutilated or be destroyed, stolen or lost, the City may, if not then prohibited or otherwise required by law, cause to be executed and delivered a new Bond of like amount, series, interest rate, maturity date and tenor in exchange and substitution for and upon cancellation of such mutilated Bonds, or in lieu of and in substitution for such destroyed, stolen or lost Bonds, upon payment by the registered owner thereof of the reasonable expenses and charges of the City and the Bond Registrar in connection therewith, and in the case of a Bond destroyed, stolen or lost, the filing with the Bond Registrar of evidence satisfactory to the City that such Bond was destroyed, stolen or lost, and of the ownership thereof, and furnishing the City and the Bond Registrar with indemnity satisfactory to each of them. If the mutilated, destroyed, stolen or lost Bond already has matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

Section 6. Payment of Bond Principal and Interest. Principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts mailed by the Bond Registrar on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date (or other record date established in the Bond Resolution, the "Record Date") or, at the request of the registered owner of $1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an account in the United States designated in writing by such registered owner prior to the Record Date. Principal of and premium, if any, on the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either of the principal corporate trust office or offices of the Bond Registrar at the option of the owners. Notwithstanding the foregoing, payment of any Bonds registered in the name of DTC or its nominee, shall be made in accordance with the Letter of Representations.

The Bonds shall be payable solely out of the Parity Bond Fund and shall not be general obligations of the City.

Section 7. Redemption and Open Market Purchase of Bonds.

(a) Optional Redemption. All or some of the Bonds may be subject to redemption at the option of the City at the times and on the terms set forth in the Bond Resolution.

(b) Mandatory Redemption. The City shall redeem any Term Bonds, if not redeemed under the optional redemption provisions set forth in the Bond Resolution or purchased in the open market under the provisions set forth below, by lot (or in such other manner as the Bond Registrar shall determine) at par plus accrued interest on the dates and in the years and principal amounts as set forth in the Bond Resolution.

If the City redeems Term Bonds under the optional redemption provisions set forth in the Bond Resolution or purchases Term Bonds in the open market as set forth below, the Term Bonds so redeemed or purchased (irrespective of their redemption or purchase price) shall be credited at the par amount thereof against the remaining mandatory redemption requirements in a manner to be determined by the Director of Finance or, if no such determination is made, on a pro-rata basis.

(c) Partial Redemption. Whenever less than all of the Bonds of a single maturity are to be redeemed, the Bond Registrar shall select the Bonds or portions thereof to be redeemed from the Bonds of that maturity by lot, or in such other manner as the Bond Registrar shall determine, except that, so long as the Bonds are registered in the name of DTC or its nominee, DTC shall select the Bonds or portions thereof to be redeemed in accordance with the Letter of Representations. In no event shall any Bond be outstanding in a principal amount that is not an authorized denomination.

Portions of the principal amount of any Bond, in integral multiples of $5,000, may be redeemed, unless otherwise provided in the Bond Resolution. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at either of the principal offices of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same series, maturity and interest rate in any of the denominations authorized by the Bond Resolution in the aggregate total principal amount remaining unredeemed.

(d) Open Market Purchase. The City reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

(e) Bonds to be Cancelled. All Bonds purchased or redeemed under this Section 7 shall be cancelled.

Section 8. Notice of Redemption. The City shall cause notice of any intended redemption of Bonds to be given not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the registered owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed by the Bond Registrar within the same period, postage prepaid, to Moody's and S&P at their offices in New York, New York, or their successors, to any bond insurer for the Bonds, and to such other persons and with such additional information as the Director of Finance shall determine or as specified in the Bond Resolution, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

Section 9. Failure to Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, principal, premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Parity Bond Fund and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Section 10. Form and Execution of Bonds. The Bonds shall be typed, photocopied, printed or lithographed on good bond paper in a form consistent with the provisions of this ordinance, the Bond Resolution and State law; shall be signed by the Mayor and Director of Finance, either or both of whose signatures may be manual or in facsimile; and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in substantially the following form, (with the designation, year, and series of the Bonds completed consistent with this ordinance) manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered The City of Seattle, Washington, Municipal Light and Power Refunding Revenue Bonds, [YEAR], [SERIES], described in the Bond Ordinance.

Bond Registrar

By _____

Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

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

Section 11. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and SMC Chapter 5.10 establishing a system of registration for the City's bonds and obligations, as that chapter now exists or may hereafter be amended. The City reserves the right in its discretion to appoint special paying agents, registrars or trustees in connection with the payment of some or all of the principal of or interest on the Bonds. If a new Bond Registrar is appointed by the City, notice of the name and address of the new Bond Registrar shall be mailed to the registered owners of the Bonds. The notice may be mailed together with the next interest payment due on the Bonds, but, to the extent practicable, shall be mailed not less than fifteen (15) days prior to a maturity date of the principal of any Bond.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the registered owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of the registered owners of the Bonds.

Section 12. Parity With Other Bonds. The Bonds authorized herein shall be on a parity with the Outstanding Parity Bonds and all bonds hereafter issued on a parity therewith, without regard to date of issuance or authorization and without preference or priority of right or lien with respect to participation of special funds in amounts from gross revenues for payment thereof. Nothing contained herein shall prevent the City from issuing revenue bonds or other obligations which are a charge or lien upon the Gross Revenues of the Light System subordinate to the payments required to be made therefrom into the Parity Bond Fund and the accounts therein.

Section 13. Execution of Refunding Plan(s).

(a) Appointment of Refunding Trustee. Consistent with the applicable requirements of the Refunded Bonds Legislation and any applicable agreements with providers of Qualified Insurance or a Qualified Letter of Credit Bond, the Director of Finance may serve as, or appoint the Refunding Trustee for each series of Bonds, which service or appointment shall be confirmed by the Bond Resolution.

(b) Acquisition and Substitution of Acquired Obligations. For each series of Bonds, sufficient proceeds of the sale of the Bonds shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to pay the amounts required by the Refunding Plan to discharge the obligations of the City with respect to the applicable Refunded Bonds. The Refunding Plan shall be carried out, and proceeds of the Bonds allocable to the refunding purposes shall be applied, in accordance with this ordinance, the respective Refunded Bond Legislation, the Bond Resolution and the laws of the State. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations shall be listed and more particularly described in a schedule attached to the Refunding Trust Agreement, and shall be subject to substitution as set forth therein. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the Light Fund to be used for any lawful purpose.

(c) Administration of Refunding Plan. The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or substitute obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the respective Refunded Bond Legislation, this ordinance, the Bond Resolution, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation and expenses of the Refunding Trustee and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the Bonds, including bond printing, verification fees, Bond Counsel's fees and other related expenses, shall be paid out of the proceeds of the Bonds.

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

Section 14. Calls for Redemption of the Refunded Bonds. As a part of the Refunding Plan, the City may in the Bond Resolution call the Refunded Bonds for redemption. Such call for redemption of the Refunded Bonds shall specify the Refunded Bonds, call dates and redemption prices, and shall be irrevocable after the delivery to the initial purchaser of the applicable series of Bonds. The dates on which the Refunded Bonds are called for redemption shall be, in the judgment of the Director of Finance, the earliest practical dates on which those bonds may be called for redemption.

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

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

Section 16. City Findings of Sufficiency of Revenues. The Bonds shall be issued only if the City Council finds and determines by the Bond Resolution that the issuance and sale of the Bonds is in the best interest of the City and in the public interest. In making such findings and determinations, the City Council shall give due regard to the cost of operation and maintenance of the Light System and to any portion of the Gross Revenues pledged for the payment of any bonds, warrants or other indebtedness, and shall find and determine that the Gross Revenues, at the rates established from time to time consistent with Section 18(d) of this ordinance, will be sufficient, in the judgment of the City Council, to meet all expenses of operation and maintenance of the Light System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of the Gross Revenue and pledged herein for the payment of the Bonds.

Section 17. Security for the Bonds. The Bonds shall be special limited obligations of the City payable from and secured solely by the Gross Revenues and by money in the Parity Bond Fund and the Reserve Fund. The Gross Revenues are pledged to make the payments into the Parity Bond Fund and the Reserve Fund required by Section 18(a) and (b) of this ordinance, which pledge shall constitute a charge upon such Gross Revenues prior and superior to all other charges whatsoever, save and except reasonable charges for maintenance and operation of the Light System.

The Bonds shall not in any manner or to any extent constitute general obligations of the City, the State of Washington or any political subdivision of the State of Washington or a charge upon any general fund or upon any money or other property of the City, the State of Washington or any political subdivision of the State of Washington not specifically pledged thereto by this ordinance.

Section 18. Bond Covenants.

(a) Parity Bond Fund. A special fund of the City known as the "Seattle Municipal Light Revenue Parity Bond Fund" (the "Parity Bond Fund") has heretofore been created by Ordinance 92938, and is now maintained as a separate account within the Light Fund, for the sole purpose of paying the principal of and interest on the bonds therein authorized and future bonds issued on a parity therewith as the same shall become due. The Bonds shall be payable, principal, premium, if any, and interest, out of the Parity Bond Fund.

From and after the issuance of the Bonds, and so long thereafter as obligations are outstanding against the Parity Bond Fund (including any Payment Agreement Payments required to be made under any Parity Payment Agreements), the Director of Finance shall set aside and pay into the Parity Bond Fund on or prior to the respective dates on which the interest on or principal of and interest on the Bonds shall become due and payable certain fixed amounts out of the Gross Revenues sufficient to pay such interest or principal and interest as the same shall become due.

Money in the Parity Bond Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on money and investments in the Parity Bond Fund shall be deposited in and used for the purposes of that fund.

(b) Reserve Fund. A special fund of the City known as the "Municipal Light and Power Bond Reserve Fund" (the "Reserve Fund") has heretofore been created by Ordinance 71917, as amended, and is now maintained as a separate account within the Light Fund, for the purpose of securing the payment of the principal of and interest on all Parity Bonds outstanding (including amounts due under any Parity Payment Agreements).

In the Bond Resolution, the City will specify whether it will satisfy the Reserve Fund Requirement with Qualified Insurance or a Qualified Letter of Credit or by depositing into the Reserve Fund, out of any money legally available therefor, within five (5) years from the date of issuance of the Bonds, the amount required to fund the Reserve Fund to the Reserve Fund Requirement.

Money held in the Reserve Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on money and investments in the Reserve Fund shall be deposited in that fund and credited against amounts required to be deposited therein until the Reserve Fund is fully funded, and thereafter such earnings shall be deposited in the Parity Bond Fund.

(i) Reserve Fund Requirement.

(A) The City shall provide in the Parity Bond Ordinance authorizing the issuance of any Future Parity Bonds for deposit into the Reserve Fund out of the Gross Revenues (or out of any other funds of the City on hand and legally available therefor, including the proceeds of the Future Parity Bonds being issued or any other Future Parity Bonds) of periodic payments so that by five (5) years from the date of such Future Parity Bonds there will have been paid into the Reserve Fund an amount which, together with the money already on deposit therein, will be at least equal to the Reserve Fund Requirement for all Parity Bonds outstanding at the end of that five-year period.

(B) Notwithstanding the foregoing, any Parity Bond Ordinance may provide for the City to obtain Qualified Insurance or a Qualified Letter of Credit for specific amounts required to be paid into the Reserve Fund. The amount available to be drawn upon under such Qualified Insurance or Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Fund by Section 18(b)(i)(A).

(C) Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five (5) years' notice. In the event of receipt of any such notice of cancellation, the City shall substitute Qualified Insurance or a Qualified Letter of Credit in the amount required pursuant by Section 18(b)(i)(A) or in the alternative shall create a special account in the Light Fund and deposit therein, on or before the twenty-fifth (25th) day of each of the sixty (60) succeeding calendar months, one sixtieth (1/60th) of the amount sufficient, together with other money and investments on deposit in the Reserve Fund, to equal the Reserve Fund Requirement on the date any such cancellation shall become effective. Such amounts shall be transferred from money in the Light Fund (after making provision for payment of operating and maintenance expenses and for the required payments into the Parity Bond Fund). Amounts on deposit in such 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 Fund on the effective date of any cancellation of a Qualified Letter of Credit or Qualified Insurance to make up the deficiency caused thereby.

(D) If the amount in the Reserve Fund shall be less than the Reserve Fund Requirement (taking into account the five (5) year period referred to in Section 18(b)(i)(A)), the City shall transfer to the Reserve Fund money in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement within twelve (12) months after the date of such deficiency. The City shall transfer such amounts first from money in the Light Fund (after making provision for payment of operating and maintenance expenses and for the required payments into the Parity Bond Fund) and only thereafter from money in any construction fund or account established with respect to any issue of Parity Bonds, first taking money from the unrestricted portion thereof, then taking money from the restricted portion thereof. If the amount in the Reserve Fund shall be greater than the Reserve Fund Requirement, then and only then may the City withdraw such excess from the Reserve Fund and deposit such excess in the Light Fund.

(ii) Use of Reserve Fund for Refunding Bonds. If any Parity Bonds are refunded, the money set aside in the Reserve Fund to secure the payment of such Parity Bonds may be used to retire such Parity Bonds or may be transferred to any reserve fund or account which may be created to secure the payment of any bonds issued to refund such Parity Bonds, as long as the money left remaining in the Reserve Fund is at least equal, together with any Qualified Insurance or Qualified Letters of Credit, to the Reserve Fund Requirement.

(iii) Use of Reserve Fund for Payment of Debt Service. If the money in the Parity Bond Fund is insufficient to meet maturing installments of either interest on or principal of and interest on the Parity Bonds payable out of the Parity Bond Fund (including amounts payable under any Parity Payment Agreements), such deficiency shall be made up from the Reserve Fund by the withdrawal of money or proceeds of Qualified Insurance or Qualified Letters of Credit therefrom, as the case may be. Any deficiency created in the Reserve Fund by reason of any such withdrawal or claim against Qualified Insurance or a Qualified Letter of Credit shall then be made up out of the Gross Revenues (or out of such other funds of the City on hand and legally available therefor), after making necessary provision for the payments required to be made for operation and maintenance of the Light System and debt service on any obligations payable from such Gross Revenues.

(iv) Withdrawals From Reserve Fund. Money in the Reserve Fund may be withdrawn by the City for any lawful purpose as long as the aggregate of any money, Qualified Insurance and Qualified Letters of Credit left remaining on deposit in the Reserve Fund is at least equal to the Reserve Fund Requirement for the Parity Bonds then outstanding.

The City reserves the right to substitute Qualified Insurance or a Qualified Letter of Credit for money previously deposited in the Reserve Fund and to withdraw such money to the extent described in the preceding paragraph.

Any withdrawals from subaccounts within the Reserve Fund shall be made on a pro rata basis except when the provider of a Qualified Letter of Credit or Qualified Insurance requires all cash and investments in the Reserve Fund to be withdrawn before draws on the Qualified Letter of Credit or Qualified Insurance, or unless the City receives an opinion of Bond Counsel to the effect that such pro rata withdrawal is not required to maintain the exclusion of interest on the Parity Bonds then outstanding from gross income.

(c) Sale or Disposition of the Light System.

(i) The City may dispose of all or substantially all of the Light System if the City simultaneously causes all of the Parity Bonds to be, or deemed to be, no longer outstanding.

(ii) Except as provided below, the City will not dispose of any part of the Light System in excess of 5% of the value of the net utility plant of the Light System in service unless prior to such disposition:

(A) there has been filed with the Director of Finance a certificate of the Professional Utility Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenant set forth in Section 18(d); or

(B) provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts:

(I) An amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of Parity Bonds then outstanding less the amount of cash and investments in the Parity Bond Fund) that the Gross Revenues for the twelve (12) preceding months attributable to the part of the Light System sold or disposed of bears to the total Gross Revenues for such period; or

(II) An amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the Light System sold or disposed of bears to the book value of the entire Light System immediately prior to such sale or disposition.

(iii) The City may dispose of any portion of the Light System that has become unserviceable, inadequate, obsolete, worn out or unfit to be used or no longer necessary, material to or useful in the operation of the Light System.

(iv) If the ownership of all or part of the Light System is transferred from the City through the operation of law, the City shall reconstruct or replace the transferred portion using any proceeds of the transfer unless the City Council determines that such reconstruction or replacement is not in the best interests of the City and the owners of the Parity Bonds, in which case any proceeds shall be used to retire Parity Bonds prior to maturity.

(d) Rates and Charges. The City will establish from time to time and maintain such rates for electric energy as will maintain the Light System in sound financial condition and provide sufficient revenues to permit the payment of sums into the special fund which the City has pledged to be set aside for the payment of principal and interest, as herein provided, to be applied to the payment of the principal of and interest on the Parity Bonds until the Parity Bonds shall have been paid in full, and in addition thereto, will pay all costs of operation and maintenance, and all bonds, warrants and indebtedness for which any revenues of the Light System shall have been heretofore pledged.

(e) Maintenance and Operation of the Light System. The City will operate the properties of the Light System in an efficient manner and at a reasonable cost; and will maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Light System and every part and parcel thereof in good repair, working order and condition; and from time to time will make or cause to be made all necessary and proper repairs, renewals and replacements thereto so that at all times the business carried on in connection therewith will be properly and advantageously conducted.

(f) Books and Financial Statements. The City will keep and maintain proper books of account for the Light System in accordance with generally accepted accounting principles applicable to governmental utilities, and will generally adhere to the uniform system of accounts prescribed by the Division of Municipal Corporations of the State Auditor's Office and the Federal Energy Regulatory Commission; and will prepare, on or before one hundred twenty (120) days after each calendar year, annual financial statements showing reasonable detail, including a balance sheet, an income statement and a statement of cash flows or other such statement. Copies of such financial statements shall be placed on file in the office of the Director of Finance and shall be open to inspection at any reasonable time by any owner (or beneficial owner) of any Parity Bonds. A copy of such financial statements shall be sent to any owner (or beneficial owner) of Parity Bonds, upon request in writing setting forth the name and address to which such financial statements may be sent.

(g) Issuance of Future Parity Bonds. Except as provided in Section 18(h) of this ordinance for the issuance of Refunding Parity Bonds, Future Parity Bonds may be issued (and Parity Payment Agreements may be entered into), from time to time in one or more series for any lawful purpose of the City's Light Department, only if at the time of the delivery of each series of Future Parity Bonds to the initial purchasers thereof (or on the effective date of the Parity Payment Agreement):

(i) There is no deficiency in the Parity Bond Fund or in any of the accounts therein and provision has been made to meet the Reserve Fund Requirement for all Parity Bonds then outstanding plus such proposed series of Parity Bonds; and

(ii) There shall have been filed with the City either:

(A) a certificate of the Director of Finance stating that Net Revenue in any twelve (12) consecutive months out of the most recent twenty-four (24) months preceding the delivery of the Parity Bonds then proposed to be issued (the "Base Period") was not less than one hundred twenty-five percent (125%) of maximum Annual Debt Service in any future calendar year on all Parity Bonds then outstanding and the Parity Bonds then proposed to be issued (except that if any adjustment in the rates, fees and charges for the services of the Light System shall be effective at any time on or prior to the date of delivery of the Parity Bonds then proposed to be issued or within six (6) months after the delivery of such Parity Bonds, the Director of Finance shall reflect in his or her certificate the Net Revenue he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period), or

(B) a certificate of the Professional Utility Consultant setting forth:

(I) the amount of the Adjusted Net Revenue computed as provided in paragraph (C) below;

(II) the amount of maximum Annual Debt Service in any calendar year thereafter on account of all Parity Bonds to be outstanding in such calendar year, including the Parity Bonds proposed to be issued, and stating that the amount shown in paragraph (B)(I) above is not less than one hundred twenty-five percent (125%) of the amount shown in this paragraph (B)(II).

"Net Revenue" as used in this Section 18(g) means that amount determined by deducting from the Gross Revenues the expenses of operation, maintenance and repair of the Light System, *except that on the New Covenant Date, "Net Revenue" as used in this Section 18(g) shall mean that amount determined by deducting from the Gross Revenues the expenses of operation, maintenance and repair of the Light System and further deducting any deposits into the Rate Stabilization Account, and by adding to Gross Revenues any withdrawals from the Rate Stabilization Account.*

(iii) For the purposes of the certificate required by paragraph (ii) above, Adjusted Net Revenue shall be computed by the Professional Utility Consultant as follows:

The Net Revenue for the Base Period shall be adjusted by any or all of the following conditions and requirements as may be appropriate to the circumstances:

(A) If the Parity Bonds are being issued for the purpose of acquiring operating electric utility properties having an earnings record, the Professional Utility Consultant shall estimate the effect on the Net Revenue for the Base Period of the acquisition of such electric utility properties and the integration thereof into the Light System, and shall adjust the Net Revenue for the Base Period to give effect to such estimate. Any such estimate shall be based upon the operating experience and records of the City and upon any available financial statements and records relating to the earnings of such electric utility properties to be acquired.

(B) If any changes have been adopted by the City Council and are in effect on the date of sale of the Parity Bonds or are to go into effect not later than twelve (12) months after such date, in any rates and charges imposed by the City on sales of power and energy and other services furnished by the Light System which were not in effect during the entire Base Period, the Professional Utility Consultant may, if such changes resulted in increases in such rates and charges, and shall, if such changes resulted in reductions in such rates and charges, adjust the Net Revenue for the Base Period to reflect any change in such Net Revenue which would have occurred if the changed rates and charges had been in effect during the entire Base Period.

(C) If the purpose for which the Parity Bonds are being issued is to acquire or construct generation or transmission facilities required to furnish or make available to the Light System additional power and energy, or transmission facilities required to enable the City to sell additional power and energy, the Professional Utility Consultant may adjust the Net Revenue for the Base Period by (a) deducting the amount of the estimated increase in Operating Expenses resulting from the acquisition or construction of such facilities in their first year of full operation, (b) adding any additional revenues to be derived from the sale or transmission of such additional power and energy pursuant to executed power sales contracts, and (c) adding an amount equal to the estimated cost of the power and energy which would have been replaced or displaced by such facilities had such additional power and energy in excess of the power and energy to be sold pursuant to clause (b) above been used in the Light System during the Base Period.

(D) If there were any customers added to the Light System during the Base Period or thereafter and prior to the date of the Professional Utility Consultant's certificate, the Net Revenue may be adjusted on the basis that such added customers were customers of the Light System during the entire Base Period.

(E) If extensions of or additions to the Light System (not described in subparagraph (C) above) are in the process of construction on the date of the Professional Utility Consultant's certificate, or if the proceeds of the Parity Bonds being issued are to be used to acquire or construct extensions of or additions to the Light System (not described in subparagraph (C) above), the Net Revenue for the Base Period may be adjusted by adding any additional revenues not included in the preceding paragraphs that will be derived from such additions and extensions and deducting the estimated increase in operating and maintenance expenses resulting from such additions and extensions.

(F) The Net Revenue for the Base Period may be adjusted by excluding from the determination of expenses of operation, maintenance and repair of the Light System any extraordinary, nonrecurring expenses of the Light System or any judgments or amounts to be paid in settlement of claims against the Light System.

(iv) In rendering any certificate under this Section 18(g), the Professional Utility Consultant may rely upon, and such certificate shall have attached thereto, (A) financial statements of the Light System, certified by the Director of Finance, showing income and expenses for the period upon which the same are based and a balance sheet as of the end of such period, (B) similar certified statements by the Division of Municipal Corporations of the Office of the State Auditor of the State (or any successor thereto), or (C) similar certified statements by a Certified Public Accountant for as much of such period as any examination by them has been made and completed. If two or more of such statements are inconsistent with each other, the Professional Utility Consultant shall rely on the statement described under clause (A) in this Section 18(g)(iv).

(h) Issuance of Refunding Parity Bonds.

(i) Without complying with the provisions of Section 18(g) of this ordinance, the City may at any time and from time to time issue one or more series of Refunding Parity Bonds, but only if there shall have been filed with the City a certificate of the Director of Finance stating that Annual Debt Service immediately after the issuance of such Refunding Parity Bonds (calculated by including debt service on the Refunding Parity Bonds but excluding debt service on the bonds to be refunded with the proceeds thereof) does not exceed the Annual Debt Service immediately prior to the issuance of the Refunding Parity Bonds (calculated by including debt service on the bonds to be refunded but excluding debt service on the Refunding Parity Bonds) by more than $5,000 in any calendar year that any then-outstanding Parity Bonds are anticipated to be outstanding.

(ii) Parity Bonds of any one or more series or one or more maturities within a series may be refunded by a single series of Refunding Parity Bonds, which Parity Bonds to be refunded shall be specified in the Parity Bond Ordinance providing for the issuance of the Refunding Parity Bonds, and the principal amount of such Refunding Parity Bonds may include amounts necessary to pay the principal of the Parity Bonds to be refunded, interest thereon to the date of payment or redemption thereof, any premium payable thereon upon such payment or redemption and the costs of issuance of such Refunding Parity Bonds. The proceeds of the Refunding Parity Bonds shall be held and applied in such manner as is provided in the Parity Bond Ordinance providing for the issuance of such Refunding Parity Bonds, so that upon the delivery of such Refunding Parity Bonds the Parity Bonds to be refunded thereby shall be deemed to be no longer outstanding in accordance with the provisions of the Parity Bond Ordinance providing for the issuance of those bonds.

(iii) Refunding Parity Bonds may also be issued upon compliance with the provisions of Section 18(g) of this ordinance.

(iv) Nothing contained in this ordinance shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the City from issuing Refunding Parity Bonds to fund or refund maturing Parity Bonds of the City for the payment of which money is not otherwise available.

Section 19. Preservation of Tax Exemption for Interest on Bonds. The City covenants that it will take all actions consistent with the terms of the Bonds, this ordinance and the Bond Resolution, reasonably within its power and necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes.

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

Section 20. Advance Refunding or Defeasance of Bonds. The City may issue advance refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and premium, if any, and interest on the Bonds, or any portion 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 sufficient in amount, together with known earned income from the investments thereof, to redeem and retire, release, refund or defease the Defeased Bonds in accordance with their terms, are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance (the "Trust Account"), then all right and interest of the owners of the Defeased Bonds in the covenants of this ordinance and in the Gross Revenue and the funds and accounts pledged to the payment of the Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such owners thereafter shall have the right to receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any Defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the Defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for defeased Bonds.

After the establishing and full funding of such a Trust Account, the Defeased Bonds shall be deemed no longer outstanding and the City may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other Parity Bonds.

If the refunding plan provides that the Defeased Bonds be secured by money and/or Government Obligations pending the prior redemption of the Defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior redemption of the Defeased Bonds included in that refunding plan, then only the debt service on the Bonds which are not Defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of the coverage requirement for the issuance of Future Parity Bonds and for determining compliance with rate covenants.

Section 21. Amendments.

(a) Amendments Without Bond Owners' Consent. The City Council from time to time and at any time may pass a resolution or resolutions, or ordinance or ordinances, supplemental hereto, which resolution or resolutions, ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City contained in this ordinance other covenants and agreements thereafter to be observed which shall not adversely affect the interests of the owners of any Parity Bonds then outstanding, or to surrender any right or power herein reserved to or conferred upon the City.

(ii) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance in regard to matters or questions arising under this ordinance as the City Council may deem necessary or desirable and not inconsistent with this ordinance and which shall not adversely affect the interests of owners of any Parity Bonds then outstanding in any material respect.

(iii) To make such changes as are necessary to permit the Bonds to be held in registered certificate form or in fully immobilized form by a Securities Depository other than DTC.

Any such supplemental resolution or ordinance of the City may be passed without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of Section 21(b) of this ordinance, but only upon receipt by the City of an opinion of Bond Counsel to the effect that the amendment is permitted by the terms of this ordinance. The City shall deliver a copy of any such supplemental resolution or ordinance to Moody's, S&P or any other rating agency then maintaining a rating on any Parity Bonds then outstanding prior to its passage by the City.

(b) Amendments With Bond Owners' Consent. The City Council may, with the consent of the owners of not less than sixty percent (60%) in aggregate principal amount of the Parity Bonds then outstanding, pass a resolution or resolutions or ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental resolution or ordinance, except no such supplemental resolution or ordinance shall:

(i) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the times of payment of interest from their respective due dates, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Parity Bond so affected; or

(ii) Reduce the aforesaid percentage of bond owners required to approve any such supplemental resolution or ordinance, without the consent of the owners of all of the Parity Bonds then outstanding.

For purposes of determining whether the owners of the requisite percentage of principal amount of Parity Bonds have consented to any amendment to this ordinance, the Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount thereof.

It shall not be necessary for the consent of bond owners under this Section 21(b) to approve the particular form of any proposed supplemental ordinance or resolution, but it shall be sufficient if such consent shall approve the substance thereof.

(c) Effect of Amendment. Upon the passage of any supplemental resolution or ordinance pursuant to the provisions of this section, this ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental resolution or ordinance shall be deemed to be a part of the terms and conditions of this ordinance for any and all purposes.

(d) Notation on Bonds. Parity Bonds executed and delivered after the execution of any supplemental resolution or ordinance passed pursuant to the provisions of this Section 21 may have a notation as to any matter provided for in such supplemental resolution or ordinance, and if such supplemental resolution or ordinance shall so provide, new bonds modified to conform, in the opinion of the City Council, to any modification of this ordinance contained in any such supplemental resolution or ordinance may be prepared by the City and delivered without cost to the owners of any affected Parity Bonds then outstanding, upon surrender for cancellation of such bonds in equal aggregate principal amounts.

Section 22. Rate Stabilization Account. There is hereby established in the Light Fund a Rate Stabilization Account. On the New Covenant Date, the City may at any time deposit in the Rate Stabilization Account, Gross Revenue and any other money received by the Light System and available to be used therefor. Thereafter, the City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in the Net Revenue for any fiscal year of the City. Such deposits or withdrawals may be made up to and including the date ninety (90) days after the end of the fiscal year for which the deposit or withdrawal will be included as Net Revenue.

Section 23. Sale of Bonds. At least 10 days before the City Council adopts a Bond Resolution for a series of Bonds, the Director of Finance shall notify the President of the City Council, in writing, of the Director of Finance's determination that the issuance of the series of Bonds is consistent with the then-current financial policies of the City. The notice shall set forth the reasons for the Director of Finance's determination. Upon giving such notice, the Director of Finance may provide for the sale of that series of Bonds (or any portion thereof) by public sale or by a negotiated sale with an underwriter or other financial institution chosen through a selection process acceptable to the Director of Finance. The City Council's adoption of the Bond Resolution shall be conclusive evidence that proper notice was provided to the President of the City Council. The Director of Finance is authorized to specify a date and time of sale of the Bonds, to give notice of that sale, to determine any bid requirements and criteria for determining the award of the bid, to provide for the use of an electronic bidding mechanism, and to specify other matters in his or her determination necessary, appropriate, or desirable to carry out the sale of the Bonds. The terms of that sale shall be consistent with this ordinance and the Bond Resolution and shall be confirmed by the Bond Resolution. The Bonds shall be delivered to the purchasers as provided in the Bond Resolution immediately upon payment to the City of the purchase price plus accrued interest, if any, to the Closing Date in immediately available federal funds in Seattle, Washington, at the City's expense or at another time or place upon which the Director of Finance and the purchaser may mutually agree at the purchaser's expense.

CUSIP numbers (if required) will be printed on the Bonds, but neither failure to print CUSIP numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchasers to accept delivery of and pay for the Bonds

in accordance with the purchase offer. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City, but the fee of the CUSIP Service Bureau for the assignment of those numbers shall be the responsibility of and shall be paid by the purchasers.

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

Section 24. Continuing Disclosure. The City shall undertake to provide for the benefit of holders of the Bonds disclosure of certain financial information and operating data of the type included in the final official statement, if any, for the Bonds, as well as disclosure of certain material events respecting the Bonds, in the manner and to the extent required by United States Securities and Exchange Commission Rule 15c2-12. The particular terms of the undertaking shall be set forth in the Bond Resolution.

Section 25. General Authorization. The Mayor and the Director of Finance and each of the other appropriate officers of the City are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. In particular, and without limitation, the Director of Finance may, in his discretion and without further action by the City Council, (a) issue requests for proposals for underwriting or financing facilities and execute engagement letters with underwriters, bond insurers or other financial institutions based on responses to such requests, (b) deem final and approve the distribution of any preliminary official statement or official statement relating to the Bonds, (c) comply with any continuing disclosure requirements applicable to the Bonds and (d) change the Bond Registrar or Securities Depository for the Bonds.

Section 26. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 27. Ratification of Prior Acts. Any action taken consistent with the authority but prior to the effective date of this ordinance, including, if applicable, but not limited to issuing requests for proposals for financing or underwriting services, executing engagement letters for financing or underwriting services based on responses to such requests, giving notices of the sale of Bonds, adopting the Bond Resolution, executing contracts, making fund transfers and paying warrants, is ratified, approved and confirmed.

Section 28. Headings. Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

Section 29. Effective Date. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 26th day of September, 2005, and signed by me in open session in authentication of its passage this 26th day of September, 2005.

JAN DRAGO,

President of the City Council.

Approved by me this 3rd day of October, 2004.

GREGORY J. NICKELS,

Mayor.

Filed by me this 3rd day of October, 2005.

(Seal) JUDITH PIPPIN,

CITY OF SEATTLE
Utility Refunding Candidates

Municipal Light & Power Revenue Bonds				
Issue Name	Dated Date	Original Par Amount	Outstanding Balance as 3/9/05	Bond Legislation
Municipal Light and Power Revenue Bonds, 1997	12/1/1997	$320,000,000	$28,100,000	Ordinance 119743 and Resolution 29486
Municipal Light and Power Refunding Revenue Bonds, 1998, Series A	1/1/1998	$104,650,000	$101,280,000	Ordinance 119744 and Resolution 29487
Municipal Light and Power Refunding Revenue Bonds, 1998, Series B	10/1/1998	$98,000,000	$84,645,000	Ordinance 119141 and Resolution 29351
Municipal Light and Power Revenue Bonds, 2000	12/1/2000	$94,320,000	$92,830,000	Ordinance 120121 and Resolution 30274
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2001	3/15/2001	$392,790,000	$384,320,000	Ordinance 120274 and Resolution 30298
Municipal Light and Power Refunding Revenue Bonds, 2002	12/1/2002	$87,725,000	$80,195,000	Ordinance 120931 and Resolution 30549
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2003	9/29/2003	$251,430,000	$241,935,000	Ordinance 121198 and Resolution 30615
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2004	12/22/2004	$284,815,000	$284,815,000	Ordinance 121627 and Resolution 30732

Publication ordered by JUDITH PIPPIN, City Clerk.

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