Ordinance No. 122209

Council Bill No. 115654

AN ORDINANCE relating to financing and refinancing of the drainage and wastewater system of The City of Seattle, adopting a system of plan of additions and betterments to and extensions of the drainage and wastewater system, authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying a portion of the cost of carrying out that system, in part, [illegible] and issuing and selling the bonds, authorizing the execution of certain agreements relating thereto, providing for the terms, conditions, covenants and manner of sale of the bonds, describing the lien of the bonds, creating certain accounts of the City relating to the bonds, and amending certain definitions in Ordinance 121938 relating to drainage and wastewater refunding revenue bonds.

CF No. _____

Date Introduced: JUL 24 2006	
Date 1st Referred: JUL 24 2006	To: Committee, Energy Management and Utilities
Date Re - Referred:	To: (committee)
Date Re - Referred:	To: (committee)
Date of Final Passage: 9-5-06	Full Council Vote: 9-0
Date Presented to Mayor: 9-6-06	Date Approved: 9/8/06
Date Returned to City Clerk: 9/11/06	Date Published: SS.PG. T.O. ___ F.T. ✓
Date Vetoed by Mayor:	Date Veto Published:
Date Passed Over Veto:	Veto Sustained:

The City of Seattle - Legislati

Council Bill/Ordinance sponsor

Commi

Richard Conlin -

Sally Clark -

Nick licata - abs

8/29/06 PASS AS Amen

9-5-06 Passed 9-0

This file is complete and ready for presentation to

LAW DEPARTMENT

Law Dept. Review **OMP Review**

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Richard Conlin

Councilmember

Committee Action:

Richard Conlin - yes

Sally Clark - yes

Nick licata - absent

8/29/06 PASS AS Amended

9-5-06 Passed 9-0

This file is complete and ready for presentation to Full Council. Committee: RC 8/29/06 (initial/date)

T.O. ___ F.T. ✓

LAW DEPARTMENT

Law Dept. Review	OMP Review	City Clerk Review	Electronic Copy Loaded	Indexed

M. Greenough
2006 Drainage Bond Ordinance
July 6, 2006
Version 6

ORDINANCE 122209

AN ORDINANCE relating to financing and refinancing of the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and amending certain definitions in Ordinance 121938 relating to drainage and wastewater refunding revenue bonds.

Passed [_____], 2006

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M. Greenough
2006 Drainage Bond Ordinance
July 6, 2006
Version 6

ORDINANCE 122109

AN ORDINANCE relating to financing and refinancing of the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and amending certain definitions in Ordinance 121938 relating to drainage and wastewater refunding revenue bonds.

WHEREAS, The City of Seattle (the "City") owns, maintains and operates a system of sanitary sewerage and storm and surface water drainage as part of Seattle Public Utilities (the "Drainage and Wastewater System"), which Drainage and Wastewater System has from time to time required various additions, improvements and extensions; and

WHEREAS, the City needs to acquire and construct certain additions and betterments to and extensions of the Drainage and Wastewater System as set forth in this ordinance (the "Plan of Additions"); and

WHEREAS, pursuant to the bond legislation described in Exhibit A, the City issued its drainage and wastewater revenue bonds described in Exhibit A, and provided for the issuance of additional bonds having a lien and charge on the Net Revenue of the Drainage and Wastewater System on a parity of lien with those bonds ("Parity Bonds") upon compliance with certain conditions; and

WHEREAS, pursuant to Ordinance 121938, the City authorized the issuance and sale of drainage and wastewater revenue bonds for the purpose, among other things, of paying all or part of the costs of refunding certain of the City's drainage and wastewater revenue bonds; and

WHEREAS, the City has determined that it is in the best interest of the City to amend certain definitions contained in Ordinance 121938 to make such definitions consistent with definitions contained in Ordinance 121939, pursuant to which the City authorized the issuance and sale of water system revenue refunding bonds; and

WHEREAS, no bonds have been issued pursuant to Ordinance 121938; 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 drainage and wastewater revenue bonds as Parity Bonds, to pay part of the cost of carrying out the Plan of

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Additions, to provide a bond reserve and to pay the costs of issuing and selling those bonds; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance the words hereinafter defined shall have the meanings set forth in this Section.

"**Accreted Value**" means (a) with respect to any Capital Appreciation Bonds, as of the time of calculation, the sum of the amount set forth in the ordinance authorizing the Capital Appreciation Bonds as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the ordinance authorizing the issuance of such bonds.

"**Adjusted Annual Debt Service**" for any fiscal year means Annual Debt Service minus (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service provided for by Parity Bond proceeds.

"**Adjusted Gross Revenue**" means, for any period, Gross Revenue plus withdrawals from the Rate Stabilization Account made during that period, and less deposits into the Rate Stabilization Account made during that period. *Upon the redemption or defeasance of all of the Outstanding Parity Bonds and any Parity Bonds issued under Ordinance 121938, "Adjusted Gross Revenue" shall be defined as follows: "Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals from the Rate Stabilization Account made during that period, and minus (1) ULID Assessments, (2) earnings from investments in the Reserve Subaccount and (3) deposits into the Rate Stabilization Account made during that period.*

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"**Adjusted Net Revenue**" means Adjusted Gross Revenue less Operating and Maintenance Expense.

"**Alternate Security**" means any insurance policy, collateral, security, letter of credit, standby bond purchase agreement, guaranty, surety bond, line of credit or similar credit enhancement device providing for or securing the payment of the principal of and interest on Parity Bonds, regarding the use of which the City receives (a) the approval of any Bond Insurer, and (b) written confirmation from Moody's and S&P to the effect that the use of such Alternate Security will not cause a reduction in any then-existing ratings for any of the Parity Bonds.

"**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 Requirement and conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment Agreements the following shall apply:

1. Generally. Except as otherwise provided by subparagraph 2 with respect to Variable Interest Rate Bonds and by subparagraph 3 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

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is payable in respect of that issue taken as a whole, at the rate or rates set forth in the applicable Parity Bond Ordinance.

2. 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 90% of the average RBI during the four calendar quarters preceding the quarter in which the calculation is made.

3. 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 3, the City shall not be required to (but

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may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less.

4. 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 3 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.

"**Average Annual Debt Service**" means, at the time of calculation, the sum of the Annual Debt Service remaining to be paid to the last scheduled maturity of the applicable issue

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or series of Parity Bonds divided by the number of years such bonds are scheduled to remain outstanding.

"**Bond Counsel**" means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the City for any purpose under this ordinance applicable to the use of that term.

"**Bond Insurance Policy**" means a municipal bond new issue insurance policy issued by the Bond Insurer and approved by the City Council by the Bond Resolution or by ordinance, and guaranteeing the timely payment of principal of and interest on any issue of Parity Bonds in accordance with the terms of that policy.

"**Bond Insurer**" means an insurance company or other financial institution that provides a Bond Insurance Policy.

"**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 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 revenue obligations of the Drainage and Wastewater System all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in the ordinance authorizing those obligations and is payable only upon redemption or on the maturity date of such obligations. Obligations which are issued as Capital Appreciation Bonds, but later convert to obligations on which interest is paid

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periodically, shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

"**CIP**" means the portion or portions relating to the Drainage and Wastewater System of the "2006-2011 Capital Improvement Program" of the City as adopted by the City in Ordinance 121991, together with any previously adopted Capital Improvement Program of the City, as the CIP may be amended, updated, supplemented or replaced from time to time by ordinance.

"**City**" means The City of Seattle, 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, or any successor thereto, as it has been and may be amended from time to time, and regulations thereunder.

"**Construction Account**" means the "Drainage and Wastewater Construction Account, 2006," created in the Drainage and Wastewater Fund by this ordinance.

"**Contract Resource Obligation**" means an obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 25.

"**Coverage Requirement**" means, with respect to the Parity Bonds, Net Revenue and money from any other lawful source at least equal to 1.25 times the Average Annual Debt Service. *Upon the redemption or defeasance of all of the Outstanding Parity Bonds and any Parity Bonds issued under Ordinance 121938, "Coverage Requirement" shall be defined as follows: "Coverage Requirement" means Adjusted Net Revenue at least equal to 1.25 times Adjusted Annual Debt Service.*

"**Director of Finance**" means the Director of the Department of Finance of the City, or any other officer who succeeds to substantially all of the responsibilities of that office specified in this ordinance.

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"**Drainage and Wastewater Fund**" means the fund created by Ordinance 84390 and later renamed by Ordinance 114155.

"**Drainage and Wastewater System**" means the drainage and wastewater system of the City, including the sanitary sewerage and storm drainage systems (except properties, interests, and rights under the jurisdiction of the City's Parks and Recreation Department, Seattle Center Department, Seattle Public Utilities Water System, City Light Department and Fleets and Facilities Department), as the same may be added to, improved and extended for as long as any Parity Bonds are outstanding. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, "Drainage and Wastewater System" shall include any utility systems of the City hereinafter combined with the Drainage and Wastewater System, but not any separate utility system that may be created, acquired or constructed by the City as provided in Section 24.*

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

"**Future Parity Bonds**" means any and all revenue bonds and obligations of the Drainage and Wastewater System (other than the Bonds) issued hereafter the payment of the principal of and interest on which constitutes a lien and charge upon the Gross Revenue on a parity with the lien and charge upon such Gross Revenue for 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.

"**Government Obligations**" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government.

"**Gross Revenue**" means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Drainage and Wastewater 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 Drainage and Wastewater 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

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City, including any bond redemption funds and the accounts therein, in connection with the ownership and operation of the Drainage and Wastewater System. Gross Revenue does 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 Revenue; (c) investment income set aside for or 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 Revenue hereunder; (e) the proceeds of any borrowing for capital improvements (or the refinancing thereof); (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); and (g) general ad valorem taxes, excise taxes and special assessments, including interest and penalties thereon. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, Gross Revenue also shall not include earnings of any separate utility system that may be created, acquired, or constructed by the City pursuant to Section 24.*

"**Independent Consulting Engineer**" means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with drainage and wastewater systems of comparable size and character to the Drainage and Wastewater System in such areas as and relevant to the purposes for which they were retained.

"**Letter of Representations**" means the Blanket Issuer Letter of Representations authorized herein to be delivered by the City to DTC, as it may be amended from time to time.

"**Maximum Annual Debt Service**" means, at the time of calculation, the maximum amount of Annual Debt Service which shall become due in the current calendar year or in any future calendar year on any outstanding Parity Bonds.

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

"**Net Revenue of the Drainage and Wastewater System**" or "**Net Revenue**" means the Gross Revenue less Operating and Maintenance Expense paid from Gross Revenue.

"**Operating and Maintenance Expense**" means all reasonable expenses incurred by the City in causing the Drainage and Wastewater System to be operated and maintained in good repair, working order and condition, including without limitation payments (other than payments out of proceeds of Parity Bonds or other obligations not issued to pay current expenses of the Drainage and Wastewater System) into reasonable reserves for items of operating or maintenance expense the payment of which is not immediately required, payments of premiums for insurance, if any, on the Drainage and Wastewater System, and any State-imposed taxes, and also including all payments made to another municipal corporation or other agency for treatment or disposal of sewage, but excluding depreciation and amortization, and any City taxes imposed or levied on the Drainage and Wastewater System or Gross Revenue or payments in lieu of taxes payable from the Gross Revenue of the Drainage and Wastewater System, and payments of claims or judgments. Accounting for those expenses shall be in accordance with generally accepted accounting principles. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, Operating and Maintenance Expense also shall include amounts due under any Contract Resource Obligation under the conditions described in Section 25.*

"**Original Issue Discount Bonds**" means revenue obligations of the Drainage and Wastewater System which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds by the ordinance or Bond Resolution under which such obligations are issued.

"**Outstanding Parity Bonds**" means the then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, as described in Exhibit A.

"**Parity Bond Account**" means the "Drainage and Wastewater Revenue Bond Account, 1990" created by Ordinance 115098 in the Drainage and Wastewater Fund for the purpose of paying and securing the principal of and interest on Parity Bonds.

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"**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 outstanding 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 Drainage and Wastewater System equal in rank with the charge and lien upon such Net Revenue required to be paid into the Parity Bond Account 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 legal investment permitted for money of the City.

"**Plan of Additions**" means the CIP, as it may be modified hereafter as described herein.

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"**Principal Amount**" means, at the time of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), and (b) with respect to any Original Issue Discount Bond, the Accreted Value thereof, unless the ordinance or Bond Resolution under which such obligation was issued shall specify a different amount, in which case, the terms of the ordinance or Bond Resolution shall control.

"**Principal and Interest Subaccount**" means the subaccount of that name created in the Parity Bond Account by Ordinance 115098 for the payment of the principal of and interest on Parity Bonds.

"**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.

"**Rate Stabilization Account**" means the account of that name previously established by Section 26 of Ordinance 118974.

"**Rating Agencies**" means Moody's and S&P, and their successors and any other nationally-recognized securities rating agency or agencies rating Parity Bonds at the request of the City.

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

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"**Registered Owner**" means the person shown on the Bond Register as the owner of one or more Bonds.

"**Reserve Requirement**" means an amount equal to the least of the Maximum Annual Debt Service at the time of calculation, 1.25 times Average Annual Debt Service at the time of calculation or 10% of the proceeds of Parity Bonds at the time of the dates of their respective issuances and payments therefor by the initial purchasers. The Reserve Requirement may be satisfied to the extent of the amount payable under an Alternate Security which contains a contract to provide money to pay debt service on Parity Bonds. The Reserve Requirement shall be provided by cash, Permitted Investments or Alternate Security or any combination thereof, and shall be subject to the provisions of Section 15(d). For any issue of Parity Bonds, the Reserve Requirement may be provided within five years after the issuance of such Parity Bonds in accordance with Section 18.

"**Reserve Subaccount**" means the subaccount of that name created in the Parity Bond Account by Ordinance 115098 for the purpose of securing the payment of the principal of and interest on Parity Bonds.

"**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 Account 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

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into any Sinking Fund Account for such calendar year as established by the Parity Bond Ordinance authorizing the issuance of such Term Bonds.

"**S&P**" means Standard and Poor's, a Division of the McGraw-Hill Companies, Inc.

"**State**" means the State of Washington.

"**Term Bonds**" means any bonds of any single issue or series designated as Term Bonds in the ordinance or resolution authorizing the issuance of such bonds.

"**ULID Assessments**" means all assessments levied and collected in a utility local improvement district of the City created for the acquisition or construction of additions to and betterments and extensions of the Drainage and Wastewater System if (and only if) those assessments are pledged to be paid into the Parity Bond Account. ULID Assessments shall not include any prepaid assessments paid into a construction fund or account. ULID Assessments shall include installments thereof and any interest or penalties thereon.

"**Undertaking**" means the City's undertaking in the Bond Resolution to provide certain continuing disclosure as provided by Section 19.

"**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 (1) 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 (2) 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

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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. Amendment of Ordinance 121938. The following three definitions in Section 1 of Ordinance 121938 are amended to read as follows (additions are underlined and deletions are enclosed in double parentheses and struck through). All other definitions in Section 1 of Ordinance 121938 shall remain in full force and effect.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service provided for by Parity Bond proceeds.

"Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals from the Rate Stabilization Account made during that period, and minus (1) ULID Assessments, (2) earnings from investments in the Reserve Subaccount and (3) ((~~less~~)) deposits into the Rate Stabilization Account made during that period.

"Coverage Requirement" means, with respect to the Parity Bonds, Net Revenue and money from any other lawful source at least equal to 1.25 times the Average Annual Debt Service. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, "Coverage Requirement" shall be defined as follows: "Coverage Requirement" means Adjusted Net Revenue at least equal to 1.25 times Adjusted ((~~Average~~)) Annual Debt Service.*

Section 3. Adoption of Plan of Additions. The CIP constitutes a system or plan of additions and betterments to and extensions of the Drainage and Wastewater System (the "Plan of Additions"). To the extent not previously specified, adopted and ordered to be carried out by ordinance of the City, the City specifies, adopts and orders to be carried out the Plan of Additions as generally provided for in the CIP. The estimated cost of the Plan of Additions, as nearly as

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may be determined, is declared to be $312,622,000, of which approximately $49,200,000 is expected to be financed from the proceeds of the Bonds.

The Plan of Additions shall include any amendments, updates, supplements or replacements to the CIP, all of which automatically shall constitute amendments to the Plan of Additions. The Plan of Additions also may be modified, without amending the CIP, to include other improvements if the City determines by ordinance that those amendments or other improvements constitute a system or plan of additions to or betterments or extensions of the Drainage and Wastewater System.

The Plan of Additions includes the purchase and installation of all materials, supplies, appliances, equipment and facilities, the acquisition of all permits, franchises, property and property rights, other capital assets and all engineering, consulting and other professional services and studies (whether performed by the City or by other public or private entities) necessary or convenient to carry out the Plan of Additions.

Section 4. <u>Authorization and Description of Bonds</u>. The City shall issue and sell the Bonds in the aggregate principal amount of not to exceed $49,200,000 for the purposes of paying all or part of the cost of carrying out the Plan of Additions, providing a bond reserve and issuing and selling the Bonds. The Bonds may be issued in one or more series. Each series of the Bonds shall be issued as Parity Bonds and may be combined with other Parity Bonds authorized separately.

The Bonds shall be dated and have such title, 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

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shall not exceed a weighted average rate of ten percent per annum. The final maturity of any series of Bonds shall not exceed 40 years from the issue date for that series.

The Bonds shall be subject to optional or mandatory redemption, purchase or defeasance on the terms and at the times specified in the Bond Resolution, and all or some of the Bonds may be Term Bonds with mandatory redemption amounts, all as specified by the Bond Resolution. The Director of Finance also may specify in Bond closing documents the respective amounts of each maturity of the Bonds allocated to paying the costs of carrying out the Plan of Additions.

Section 5. Bond Resolution. 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, 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 Alternate Security, and conditions or covenants relating thereto, including additional terms, conditions and covenants relating to the Bonds that are required by the provider of Qualified Insurance, Alternate Security, letter of credit or other credit facility 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 provider of Qualified Insurance, Alternate Security, letter of credit or other credit facility.

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 establishment of the interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited to securities depository agreements, agreements relating to the provision of Qualified Insurance,

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Alternate Security, letter of credit or other credit facility, Payment Agreements and similar contracts for such purposes.

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 6. 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 15 days preceding any principal or interest payment or redemption date (or other record date established by the Bond Resolution).

The City appoints DTC as initial Securities Depository for the Bonds. For so long as DTC is the Securities Depository for the Bonds, DTC or its nominee 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. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City approves the Blanket Issuer Letter of Representations with DTC substantially in the form on file with the City Clerk and by this reference made a part hereof (as it may be amended from time to time, the "Letter of Representations"). The Director of Finance is authorized and directed to execute and deliver the

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Letter of Representations, on behalf of the City, to DTC on or before the date of delivery of the first series of Bonds to the purchaser thereof and the payment therefor, with such changes as the Director of Finance deems to be in the best interest of the City, and his execution and delivery of the Letter of Representations shall evidence irrevocably the approval of the Letter of Representations by the City.

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.

For so long as the Bonds are registered in the name of DTC or any nominee thereof, all payments of the principal of, or premium, if any, or interest with respect to 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 with respect to 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

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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 its nominee) as the sole and exclusive Registered Owner of the Bonds registered in its name for the purposes of payment of the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Registered Owners 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 participant, or any other person which is not shown on the Bond Register as being a Registered Owner of Bonds, with respect to: (i) the Bonds; (ii) any records maintained by DTC or any such participant; (iii) the payment by DTC or any such direct or indirect participant of any amount in respect of the principal of, premium, if any, or interest with respect to the Bonds; (iv) any notice which is permitted or required to be given to Registered Owners of Bonds under this ordinance or the Bond Resolution; (v) the selection by DTC or any such direct or indirect participant of any person to receive payment in the event of a partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner of the Bonds.

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For 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 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 15 calendar days in advance of such special record date to the extent practical.

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 delivered in fully immobilized form may be discontinued at any time if: (i) after notice to the City and the Bond Registrar, DTC determines to resign as Securities Depository for the Bonds; or (ii) 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 (i) 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

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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 7. 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. If the provisions of State law at any time differ from the provisions of this Section with respect to the requirements or procedures for replacing or otherwise handling mutilated, lost, stolen or destroyed Bonds, then the provisions of State law shall prevail.

Section 8. 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 15th day of the month preceding the interest payment date (or other record date established by the Bond Resolution) (the "Record Date") or, at the request of a 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 to the Bond Registrar. Notwithstanding the foregoing, payment of any

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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 Account. The Bonds shall not be general obligations of the City.

Section 9. Redemption and 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 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, purchases or defeases Term Bonds, the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase price) shall be credited at the par amount thereof against one or more scheduled mandatory redemption amounts for those Term Bonds. The Director of Finance shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of such allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given. If no such determination is made, such allocation shall be on a pro rata basis.

(c) Partial Redemption. Whenever less than all of the Bonds of a single series and maturity are to be redeemed, the Bond Registrar shall select the Bonds or portions thereof to be redeemed from the Bonds of that series and 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

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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 op[illegible] 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) Purchase. The City reserves the right and option to purchase any or all of the Bonds at any time at any price acceptable to the City plus accrued interest to the date of purchase The principal amount of Term Bonds purchased pursuant to this Section shall be credited at the par amount thereof against the next mandatory redemption requirement that is at least 60 days after the date of purchase, or as otherwise directed by the Director of Finance.

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

Section 10. Notice of Redemption. The City shall cause notice of any intended redemption of Bonds to be given not less than 30 nor more than 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 the Rating Agencies, at their offices in New York, New York, or their successors, to any provider of Qualified Insurance or Alternate Security for the Bonds, and

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to such other persons and with such additional information as the Director of Finance shall determine or as specified in the Bond Resolution, but none of these additional mailings shall be a condition precedent to the redemption of Bonds.

Section 11. **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 Account 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 12. **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 of the City 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, Drainage and Wastewater 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.

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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 13. **Bond Registrar; Appointment of Other Agents.** 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 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 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

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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 14. **Finding of Sufficiency of Revenues.** A series of Bonds will be issued only if the City finds and determines in the Bond Resolution that (a) the issuance and sale of the Bonds is in the best interest of the City and in the public interest, and (b) the Gross Revenues, at the rates established from time to time consistent with Section 16(a), will be sufficient, in the judgment of the City, to meet all expenses of operation and maintenance of the Drainage and Wastewater System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of the Gross Revenue (including Outstanding Parity Bonds) and pledged herein for the payment of the Bonds. In making such findings and determinations, the City shall have had due regard to the cost of operation and maintenance of the Drainage and Wastewater System and to any portion of the Gross Revenues pledged for the payment of any bonds, warrants or other indebtedness.

Section 15. **Security for Parity Bonds; Flow of Funds.**

(a) **Pledge; Lien and Charge of Parity Bonds.** The Net Revenue is pledged for the payment of the Parity Bonds. This pledge shall constitute a lien and charge upon such Net Revenue prior and superior to any other liens and charges whatsoever. *Upon the redemption or defeasance of all outstanding 1995 Bonds, all ULID Assessments shall be pledged to the payment of the Parity Bonds.*

(b) **Priority Expenditure of Gross Revenue.** So long as any Parity Bonds are outstanding, all Gross Revenue, except for earnings on investments in the Parity Bond Account or other bond redemption fund, arbitrage rebate account, refunding escrow account or other trust account, unless those earnings are transferred from those accounts or funds to the Drainage and Wastewater Fund, shall be deposited as received in the Drainage and Wastewater Fund and shall be used, paid out and distributed in the following order of priority (by paragraphs):

(i) To pay, together with any other money made available for such purpose, the Operating and Maintenance Expense;

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(ii) To make the required payments into the Principal and Interest Subaccount for all Parity Bonds;

(iii) To make the required payments into the Reserve Subaccount for all Parity Bonds;

(iv) To make all required payments into any revenue bond redemption fund created to pay and secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a lien and charge upon the Net Revenue of the Drainage and Wastewater System subordinate to the lien thereon for the payment of the principal of and interest on Parity Bonds; and

(v) To redeem and retire any sewer revenue bonds of the City then outstanding or to purchase any or all of those bonds at a price not in excess of the price at which those bonds could be redeemed at the next call date; to make necessary additions, betterments, repairs, extensions and replacements of the Drainage and Wastewater System or other purposes proper to its maintenance and operation, including the payment of any City taxes or payments in lieu of taxes payable from Gross Revenue of the Drainage and Wastewater System, or for any other lawful Drainage and Wastewater System purpose, *including, upon the redemption or defeasance of all then outstanding 1995 Bonds, to make deposits to the Rate Stabilization Account.*

The City may transfer from any funds or accounts of the City legally available therefor, except bond redemption funds, any money therein to meet the required payments to be made into the Parity Bond Account.

(c) <u>Parity Bond Account; Deposit of Net Revenue</u>. The Parity Bond Account has been created in the Drainage and Wastewater Fund as a special fund of the City, which account is divided into two subaccounts, a Principal and Interest Subaccount and a Reserve Subaccount. So long as any Parity Bonds are outstanding against the Parity Bond Account, the City obligates and binds itself to set aside and pay into the Parity Bond Account from the Drainage and Wastewater

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Fund out of the Net Revenue certain fixed amounts without regard to any fixed proportion, namely:

(i) Into the Principal and Interest Subaccount, on or before each interest or principal and interest payment date, money which, together with the money already deposited in that account, is sufficient to pay the interest or principal and interest (as the case may be) due that date (including any mandatory redemption, mandatory sinking fund or optional redemption payments) on the Parity Bonds; and

(ii) Into the Reserve Subaccount an amount necessary to provide for the Reserve Requirement for the Parity Bonds within the time and in the manner required by this ordinance. The amount necessary to satisfy the Reserve Requirement upon the issuance of the Bonds may be funded (i) on the date of issue of the Bonds by a deposit from the proceeds of the Bonds or by an Alternate Security or (ii) in annual installments from Net Revenue so that the Reserve Requirement is fully funded by the fifth anniversary of the date of issue of the Bonds. The manner of funding the Reserve Requirement for the Bonds shall be specified in the Bond Resolution.

Upon the redemption or defeasance of all then outstanding 1995 Bonds, the City shall pay into the Parity Bond Account all ULID Assessments on their collection.

(d) <u>Reserve Subaccount</u>. The City covenants and agrees that it will at all times maintain in the Reserve Subaccount an amount equal to the Reserve Requirement for all Parity Bonds, except for withdrawals therefrom as authorized herein, until there is a sufficient amount in the Principal and Interest Subaccount and Reserve Subaccount to pay the principal of and interest on all outstanding Parity Bonds, at which time the money in the Reserve Subaccount may be used to pay any such principal and interest so long as the money remaining on deposit in the Reserve Subaccount is no less than the Reserve Requirement of the remaining outstanding Parity Bonds.

If there shall be a deficiency in the Principal and Interest Subaccount to meet maturing installments of either principal of or interest on any of the Parity Bonds, such deficiency shall be made up from the Reserve Subaccount by the withdrawal of cash therefrom. Any deficiency

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created in the Reserve Subaccount by reason of any such withdrawal will then be made up from the Net Revenue of the Drainage and Wastewater System which shall be first available after making necessary provisions for the required payments into the Principal and Interest Subaccount.

(e) Investment of Money in Parity Bond Account. All money in the Parity Bond Account may be kept in cash or invested in Permitted Investments maturing not later than the date when needed (for investments in the Principal and Interest Subaccount) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall any money in the Parity Bond Account or any other money reasonably expected to be used to pay principal and/or interest on the Parity Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. Income from investments in the Principal and Interest Subaccount shall be deposited in that subaccount. Income from investments in the Reserve Subaccount shall be deposited in that subaccount until the amount therein is equal to the Reserve Requirement for all Parity Bonds, and thereafter shall be deposited in the Principal and Interest Subaccount.

The City may create sinking fund subaccounts or other subaccounts in the Parity Bond Account for the payment or securing the payment of Parity Bonds as long as the maintenance of such subaccounts does not conflict with the rights of the owners of Parity Bonds.

Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond Account, any earnings which are subject to a federal tax or rebate requirement may be withdrawn from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no longer required for such rebate, money in that separate fund or account shall be returned to the Parity Bond Account.

(f) Failure to Deposit Money in Parity Bond Account. If the City fails to set aside and pay into the Parity Bond Account, including the Reserve Subaccount, the amounts set forth above, the Registered Owner of any of the outstanding Parity Bonds may bring action against the City and compel such setting aside and payment. *Upon the redemption or defeasance of all of*

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the then outstanding 1995 Bonds, a Registered Owner of Parity Bonds may bring an action against the City for failure to make the required deposits to the Parity Bond Account only in accordance with Section 27.

(g) **Provision for Maintenance and Operation Expense.** It is declared that in creating the Parity Bond Account and in fixing the amounts to be paid into it as provided in subsections (c) and (d) of this Section, the City Council has had due regard for Operating and Maintenance Expense (and cost of maintenance and operation as contemplated by RCW 35.67.130), and is not setting aside into the Parity Bond Account a greater amount than in the judgment of the City Council, based on the rates to be established from time to time consistent with Section 16(a), will be available over and above such Operating and Maintenance Expense (and such cost of maintenance and operation).

Section 16. Parity Bond Covenants. The City covenants and agrees with the owner of each of the Parity Bonds as follows:

(a) **Rates and Charges; Coverage Requirement.** It will establish, maintain, revise as necessary and collect such rates and charges for drainage and wastewater service furnished which will produce Net Revenue *(or, upon the redemption or defeasance of all then outstanding 1995 Bonds, Adjusted Net Revenue)* available for debt service each calendar year at least equal to the Coverage Requirement. It will not change any rate or charge for drainage and wastewater service as now established by the existing rate ordinance or ordinances of the City that will substantially reduce the annual Gross Revenue of the Drainage and Wastewater System below that which would have been obtained before such change unless the City shall have on file a certificate from an Independent Consulting Engineer or a certified public accountant experienced in drainage and wastewater system rates and charges, stating the rates and charges as so changed will provide Gross Revenue of the Drainage and Wastewater System sufficient to comply with all the covenants and requirements of this ordinance, including the Coverage Requirement.

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Upon the redemption or defeasance of all then-outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2001 Bonds and 2004 Bonds, this paragraph (a) shall be replaced in its entirety with the following:

(a) ***Rates and Charges; Coverage Requirement.*** *It will establish, maintain, revise as necessary and collect such rates and charges for services and facilities provided by the Drainage and Wastewater System so that Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement. The failure of the City to comply with this paragraph (a) shall not be an Event of Default under this ordinance if the City promptly retains an Independent Consulting Engineer to recommend to the City Council adjustments in the rates of the Drainage and Wastewater System necessary to meet the requirements of this paragraph (a) and if the City Council adopts the recommended modifications within 180 days of the date the failure became known to the City Council.*

(b) Maintenance of Drainage and Wastewater System. It will at all times maintain and keep the Drainage and Wastewater System in good repair, working order and condition, including, from time to time, making or causing to be made all necessary and proper repairs, renewals and replacements so that at all times the operation of such system shall be properly and advantageously conducted, and will at all times operate the Drainage and Wastewater System and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) Sale of Drainage and Wastewater System. It will not sell, lease, mortgage, or in any manner encumber or dispose of all of the property of the Drainage and Wastewater System unless provision is made for the payment into the Parity Bond Account of an amount sufficient to pay the principal of and interest on Parity Bonds then outstanding; and it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Drainage and Wastewater System that is used, useful and material to the operation thereof, except consistent with one or more of the following:

(i) if provision is made for replacement thereof, or for payment into the Parity Bond Account of the total amount of Gross Revenue received from the portion of the

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Drainage and Wastewater System sold, leased, mortgaged, encumbered or disposed of which shall not be less than an amount which shall bear the same ratio to the amount of Parity Bonds then outstanding as the Gross Revenue available for debt service for such outstanding bonds for the 12 months preceding such sale, lease, mortgage, encumbrance or disposal from the portion of the Drainage and Wastewater System sold, leased, mortgaged, encumbered or disposed of bears to the Gross Revenue available for debt service for the then outstanding Parity Bonds from the entire Drainage and Wastewater System of the City for the same period. Any such money so paid into the Parity Bond Account shall be used to retire such Parity Bonds at the earliest possible date; or

(ii) *upon the redemption or defeasance of all then outstanding 1995 Bonds, if the aggregate depreciated cost value of the property being encumbered or disposed of under this subparagraph (ii) in any fiscal year comprises no more than 5% of the total assets of the Drainage and Wastewater System; or*

(iii) *upon the redemption or defeasance of all then outstanding Outstanding Parity Bonds, and then only if the proceeds from such transfer are used to acquire new useful operating facilities or properties of the Drainage and Wastewater System, or are used to retire outstanding Parity Bonds or other revenue obligations of the Drainage and Wastewater System, and if, at the time of such transfer, the City has on file a certificate of both the Director of Finance and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the responsibilities of either office) demonstrating that in their opinion, upon such transfer and the use of proceeds of the transfer as proposed by the City, the remaining facilities of the Drainage and Wastewater System will retain their operational integrity and, based on the financial statements for the most recent fiscal year available, the proposed transfer would not prevent the Drainage and Wastewater System from complying with the Coverage Requirement during the five fiscal years following the fiscal year in which the transfer is to occur. The certificate shall take into account, (A) the reduction in revenue and expenses, if any, resulting from the transfer; (B) the use of any proceeds of the transfer for the redemption of Parity Bonds,*

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(C) the estimate of revenue from customers anticipated to be served by any additions to and betterments and extensions of the Drainage and Wastewater System financed in part by the proposed portion of the proceeds of the transfer, and (D) any other adjustment permitted in the preparation of a certificate under Section 18(d). Before such a transfer, the City also must obtain confirmation from each of the Rating Agencies to the effect that the rating then in effect will not be reduced or withdrawn upon such transfer.

(d) Books and Records. It will, while any of the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Drainage and Wastewater System, and it will furnish the Registered Owner(s) of the Bonds or any subsequent Registered Owner(s) thereof, at the written request of such Registered Owner(s), complete operating and income statements of the Drainage and Wastewater System in reasonable detail covering any fiscal year not more than six months after the close of such fiscal year and it will grant any Registered Owner(s) of at least 25% of the outstanding Bonds the right at all reasonable times to inspect the entire Drainage and Wastewater System and all records, accounts and data of the City relating thereto. Upon request of any Registered Owner of any of the Bonds, it also will furnish to such Registered Owner a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

(e) Operating and Maintenance Expense. It will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City as herein set forth.

Section 17. 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 the 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.

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Section 18. **Future Parity Bond Conditions.** The City further covenants with the owner of each of the Bonds for as long as any of the Bonds are outstanding that it will not create any special account or fund or accounts or funds for the payment of the principal of and interest on any other revenue obligations or issue any other revenue obligations which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Net Revenue of the Drainage and Wastewater System nor will it issue Future Parity Bonds, except that it reserves the right for

First, the purpose of acquiring, constructing and installing additions to, and betterments and improvements and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to the Drainage and Wastewater System pursuant to an adopted system or plan of additions thereto and betterments and improvements thereof, or

Second, the purpose of refunding by exchange or purchasing and retiring or advance refunding by call and payment at or prior to their maturity any part or all of the outstanding Parity Bonds, or

Third, other purposes then permitted by law,

to issue Future Parity Bonds therefor, and to make payments into the Parity Bond Account from the Net Revenue sufficient to pay the principal of and interest on such Future Parity Bonds and to maintain a reserve therefor as hereinafter required, which payments may rank equally with the payments out of the Net Revenue required to be made into the Parity Bond Account by this ordinance, if the following conditions and requirements are met and complied with at the time of the issuance of such Future Parity Bonds:

(a) At the time of issuance of such Future Parity Bonds, there shall not be a deficiency in either the Principal and Interest Subaccount or the Reserve Subaccount in the Parity Bond Account.

(b) The Parity Bond Ordinance authorizing Future Parity Bonds shall provide for the creation of a sinking fund account in the Parity Bond Account for any Term Bonds to be issued

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and for regular payments to be made into such account for the payment of the principal of such Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of such Term Bonds prior to their maturity date (except for a portion of such Term Bonds scheduled for redemption on their maturity date) from money in the Principal and Interest Account.

(c) The Parity Bond Ordinance authorizing such Future Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Parity Bond Account and shall further provide for the payment from the Net Revenue *(and, after the redemption or defeasance of all outstanding 1995 Bonds, from ULID Assessments)* or from proceeds of those Future Parity Bonds or from an Alternate Security, or by more than one, the Reserve Requirement of such Future Parity Bonds, except if such Future Parity Bonds are issued for the purpose of refunding any outstanding Parity Bonds, the amount of such reserve allocated to such bonds being so refunded shall be retained or used as a reserve for such refunding Future Parity Bonds or used to retire outstanding Bonds or outstanding Future Parity Bonds pursuant to the refunding plan, which reserve amount shall be replaced in the same manner and within the same time as required for additional Future Parity Bonds, or such reserve may remain in the Reserve Subaccount to be used as the reserve for remaining Parity Bonds. To the extent that the Reserve Requirement is not funded with proceeds of such Future Parity Bonds or by an Alternate Security, it shall be funded by equal annual deposits from Net Revenue *(and, after the redemption or defeasance of all then outstanding 1995 Bonds, from ULID Assessments)* so that it is fully deposited in the Reserve Subaccount by the fifth anniversary date of the date of the Future Parity Bonds.

Immediately prior to the issuance of Future Parity Bonds, amounts then deposited in the Reserve Subaccount shall be valued as determined on the most recent annual financial report of the City applicable to the Drainage and Wastewater System, and the additional amounts, if any, needed to be deposited into the Reserve Subaccount to satisfy the Reserve Requirement shall be based on that valuation.

(d) At the time of the issuance of such Future Parity Bonds, the City shall have on file a certificate of the Director of Seattle Public Utilities or a certificate from an Independent

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Consulting Engineer or a certified public accountant experienced in Drainage and Wastewater System rates and charges showing that in his or her professional opinion the Net Revenue will be equal to the Coverage Requirement. However, if Future Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding Parity Bonds, such certification of coverage shall not be required if the Annual Debt Service in each year for the refunding bonds is not increased over the amount required for the bonds to be refunded thereby and the maturities of those refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby.

The certificate, in estimating the Net Revenue or Adjusted Net Revenue, as applicable, shall use the historical Gross Revenue for any 12 consecutive months out of the 24 months immediately preceding the month of delivery of the Future Parity Bonds. The Gross Revenue may be adjusted to reflect any changes in rates in effect and being charged or expressly committed by ordinance of the City Council to be made in the future; may include income derived from customers of the Drainage and Wastewater System that have become customers during the 12 consecutive month period or thereafter adjusted to reflect one year's net revenue from such customers; may include revenues from any customers to be connected to the Drainage and Wastewater System who have paid the required connection charges; may include the revenue to be derived from any person, firm, corporation or municipal corporation under any executed contract for Drainage or Wastewater service which revenue was not included in the historical Gross Revenue; and may include an estimate of the Gross Revenue to be derived by the City from customers with improved property available to connect to any additions to and improvements and extensions of the Drainage and Wastewater System to be paid for out of the proceeds of the sale of the additional Future Parity Bonds or other additions to and improvements and extensions of the Drainage and Wastewater System then under construction and not fully connected to the facilities of the Drainage and Wastewater System when such additions, improvements and extensions are completed.

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Actual or reasonably anticipated changes in the Operating and Maintenance Expense subsequent to such 12 month period shall be added or deducted, as is applicable. The use of money other than Gross Revenue for the payment of Operating and Maintenance Expense shall not exceed per year an amount used for that purpose during the 12 months immediately preceding the date of issuance of the Future Parity Bonds.

Nothing contained in the provisions for Future Parity Bonds shall prevent the City from issuing revenue bonds or other obligations having a lien on the Gross Revenue subordinate to the lien of the Bonds and any Future Parity Bonds.

Upon the redemption or defeasance of all then outstanding 1995 Bonds, all references to "Net Revenue" in this subsection (d) shall be changed to "Adjusted Net Revenue."

Upon the redemption or defeasance of all then outstanding 1995 Bonds, as an alternative to the certificate required under this subsection (d), the City, at its option, may provide a certificate of the Director of Finance or the Director of Seattle Public Utilities demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Adjusted Net Revenue was at least equal to the Coverage Requirement for all Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt service of the proposed Future Parity Bonds for that 12 month period was the Average Annual Debt Service for those proposed bonds).

Upon the redemption or defeasance of all then-outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, this subsection (d) shall be replaced in its entirety with the following:

(d) There shall be on file with the City either:

(1) a certificate of the Director of Finance demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Adjusted Net Revenue was at least equal to the Coverage Requirement for all Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt service of the

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proposed Future Parity Bonds for that 12 month period was the Average Annual Debt Service for those proposed bonds); or

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

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

(ii) Net revenue from customers of the Drainage and Wastewater System who have become customers during the 12 consecutive month period or thereafter, and their estimate of net revenue from any customers to be connected to the Drainage and Wastewater System who have paid the required connection charges, adjusted to reflect one year's net revenue from those customers;

(iii) Their estimate of net revenue from customers anticipated to be served by facilities or improvements financed in

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substantial part by those Future Parity Bonds (or additional Parity Bonds expected to be issued during the five-year period); and

(iv) Net revenue from any person, firm, corporation or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue of the Drainage and Wastewater System.

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

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

(e) *Upon the redemption or defeasance of all then outstanding 1995 Bonds, the Parity Bond Ordinance authorizing the Future Parity Bonds shall provide that all ULID Assessments shall be paid directly into the Parity Bond Account.*

Section 19. **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 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

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Securities and Exchange Commission Rule 15c2-12(b)(5). The particular terms of any such Undertaking shall be set forth in the Bond Resolution.

Section 20. Refunding and Defeasance. The Bonds are hereby designated "Refundable Bonds" for purposes of Ordinance 121938. The City may issue 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, premium, if any, and interest on the Bonds, or portion thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund or defease the 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 such 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 Net Revenue and the funds and accounts pledged to the payment of such 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 registered 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 then 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.

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If the refunding or defeasance plan provides that the defeased Bonds or the refunding bonds to be issued be secured by money and/or Government Obligations pending the prior redemption of the defeased Bonds and if such refunding or defeasance plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior redemption of the defeased Bonds included in the refunding or defeasance 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 issuance of Future Parity Bonds, and the annual computation of the Coverage Requirement for determining compliance with the rate covenants.

Section 21. **Sale of Bonds.** The Director of Finance may provide for the sale of each 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 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 will be printed on the Bonds if requested by the purchasers, 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

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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, the opinion also being printed on each Bond unless the Bond is typed or photocopied.

Section 22. <u>Supplemental or Amendatory Ordinances</u>.

(a) This ordinance shall not be supplemented or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this Section.

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

(1) To cure any formal defect, omission, inconsistency or ambiguity in this ordinance in a manner not adverse to the owner of any Parity Bonds;

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

(3) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this ordinance as theretofore in effect;

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

(5) To comply with any future federal law or interpretation to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes;

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

(7) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the owners of the Parity Bonds and which does not involve a change described in subsection (c) of this Section.

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

(c) (1) Except for any supplemental or amendatory ordinance passed pursuant to subsection (b) of this Section, subject to the terms and provisions contained in this subsection (c) and not otherwise, Registered Owners of not less than 60% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve the passage by the City Council of any supplemental or amendatory ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance; except that, unless approved in writing by the Registered Owners of all Parity Bonds then outstanding, nothing contained in this Section shall permit, or be construed as permitting:

(i) A change in the times, amounts or currency of payment of the principal of or interest on any outstanding Parity Bond, or a reduction in the principal amount or redemption price of any outstanding Parity Bond or a change in the method of redemption or redemption price of any outstanding Parity Bond or a change in the method of determining the rate of interest thereon, or

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(ii) A preference or priority of any Parity Bond or Bonds over any other Parity Bond or Bonds, or

(iii) A reduction in the aggregate principal amount of Parity Bonds, the consent of the Registered Owners of Bonds of which is required for any such supplemental or amendatory ordinance.

(2) If at any time the City shall pass any supplemental or amendatory ordinance for any of the purposes of this subsection (c), the Bond Registrar shall cause notice of the proposed supplemental or amendatory ordinance to be given by first class United States Mail to all Registered Owners of the then outstanding Parity Bonds, to any Bond Insurer and to the Rating Agencies. Such notice shall briefly set forth the nature of the proposed supplemental or amendatory ordinance and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by all Registered Owners of the outstanding Parity Bonds.

(3) Within two years after the date of the mailing of such notice, the City may pass such supplemental or amendatory ordinance in substantially the form described in such notice, but only if there shall have first been delivered to the Bond Registrar (i) the required consents, in writing, of the Registered Owners of the Parity Bonds, and (ii) an opinion of Bond Counsel, stating that such supplemental or amendatory ordinance is authorized or permitted by this ordinance and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(4) If Registered Owners of not less that the percentage of Parity Bonds required by this subsection (c) shall have consented to and approved the execution and delivery thereof as herein provided, no owner of the Parity Bonds shall have any right to object to the passage of such supplemental or amendatory ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City or the Bond Registrar from passing the same or from taking any action pursuant to the provisions thereof.

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

Section 23. **Construction Account; Deposit of Proceeds**. An account to be known as the Drainage and Wastewater Construction Account, 2006 (the "Construction Account") is created in the Drainage and Wastewater Fund. The principal proceeds of the sale of the Bonds remaining after the deposit of accrued interest on the Bonds, if any, into the Principal and Interest Subaccount and the deposit of any proceeds as determined by the Bond Resolution into the Reserve Subaccount, shall be deposited into the Construction Account, unless otherwise specified in the Bond Resolution or directed by the Director of Finance, to be used for the purpose of paying part of the costs of carrying out the Plan of Additions and to pay for the costs of issuance of the Bonds. Until needed to pay such costs, the City may invest principal proceeds and interest thereon temporarily in any legal investment, and the investment earnings may, as determined by the Director of Finance, be retained in the Construction Account and be spent for the purposes of that fund or deposited in the Parity Bond Account.

Section 24. **Separate Utility Systems.** *Upon the maturity, redemption or defeasance of all the 1995 Bonds, the City may create, acquire, construct, finance, own and operate one or more additional systems for drainage and wastewater or other commodity or service relating to the Drainage and Wastewater System. The revenue of that separate utility system shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the separate utility system. Neither the Gross Revenue nor the Net Revenue of the Drainage and Wastewater System shall be pledged by the City to the payment of any obligations of a separate utility system except (1) as a*

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Contract Resource Obligation upon compliance with Section 25 and/or (2), with respect to the Net Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue.

Section 25. **Contract Resource Obligations.** *Upon the maturity, redemption or defeasance of all the 1995 Bonds, the City may at any time enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of drainage and wastewater or other commodity or service relating to the Drainage and Wastewater System. The City may determine that, and may agree under a Contract Resource Obligation to provide that all payments under that Contract Resource Obligation (including payments prior to the time that drainage and wastewater or other commodity or service is being provided, or during a suspension or after termination of supply or service) shall be an Operating and Maintenance Expense if the following requirements are met at the time such a Contract Resource Obligation is entered into:*

(a) No Event of Default as defined in Section 27 has occurred and is continuing.

(b) There shall be on file a certificate of an Independent Consulting Engineer stating that (i) the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the commodity or service rendered; (ii) any facilities to be constructed to provide the commodity or service are sound from a drainage and wastewater service or other commodity or service planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide supply or transmission no later than a date set forth in the Independent Consulting Engineer's certification; and (iii) the Adjusted Net Revenue (further adjusted by the Independent Consulting Engineer's estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five fiscal years following the year in which the Contract Resource Obligation is incurred, as such Adjusted Net Revenue is estimated by the Independent Consulting Engineer in accordance with the provisions of and adjustments permitted in Section 18(d), will be at least equal to the Coverage Requirement.

Payments required to be made under Contract Resource Obligations shall not be subject to acceleration.

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Nothing in this Section shall be deemed to prevent the City from entering into other agreements for the acquisition of drainage and wastewater services or other commodity or service from existing facilities and from treating those payments as Operating and Maintenance Expenses. Nothing in this Section shall be deemed to prevent the City from entering into other agreements for the acquisition of drainage and wastewater services or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Net Revenue subordinate to the Parity Bonds.

Section 26. **Rate Stabilization Account.** The Rate Stabilization Account has been created as a separate account in the Drainage and Wastewater Fund. Upon the redemption or defeasance of all the 1995 Bonds, the City may at any time, as determined by the City and as consistent with Section 15(b), deposit in the Rate Stabilization Account Gross Revenue and any other money received by the Drainage and Wastewater System and available to be used therefor. The City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in the Adjusted Gross Revenue for any fiscal year of the Drainage and Wastewater System. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Adjusted Gross Revenue.

No deposit of Gross Revenue shall be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

Section 27. **Defaults and Remedies.**

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

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

(2) If the City defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the City set forth in this ordinance or in any

CITY CLERK

Parity Bond Ordinance (except as otherwise provided herein or in such Parity Bond Ordinance) and such default or defaults have continued for a period of six months after they have received from the Bondowners' Trustee (as defined below) or from the Registered Owners of not less than 25% in principal amount of the Parity Bonds, a written notice specifying and demanding the cure of such default. However, if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completely remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the City has taken active steps within the six months after written notice has been given to remedy the default and is diligently pursuing such remedy.

(b) <u>Bondowners' Trustee</u>. So long as such Event of Default has not been remedied, a bondowners' trustee (the "Bondowners' Trustee") may be appointed by the Registered Owners of 25% in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this Section shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the Registered Owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the Bonds or by their attorneys-in-fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

In the event that any Event of Default in the sole judgment of the Bondowners' Trustee is cured and the Bondowners' Trustee furnishes to the City a certificate so stating, that Event of

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Default shall be conclusively deemed to be cured and the City, the Bondowners' Trustee and the Registered Owners of the Parity Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

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

(c) <u>Suits at Law or in Equity</u>. Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may, and upon the written request of the Registered Owners of not less then 25% in principal amount of the Parity Bonds outstanding shall, take such steps and institute such suits, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the Registered Owners of the Parity Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this ordinance or in any of the Parity Bonds.

Nothing contained in this Section shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on the Parity Bonds, and the remedy of acceleration is expressly denied to the Registered Owners of the Parity Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

Any action, suit or other proceedings instituted by the Bondowners' Trustee hereunder shall be brought in its name as Bondowners' Trustee and all such rights of action upon or under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bondowners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit, action or proceeding instituted by the Bondowners' Trustee shall be brought for the ratable benefit of all of the Registered Owners of those Parity Bonds, subject to the provisions of this ordinance. The respective Registered Owners of the Parity Bonds, by taking and holding the

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same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective Registered Owners of those Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the registered owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any Registered Owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any Registered Owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the Registered Owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

(d) **Application of Money Collected by Bondowners' Trustee.** Any money collected by the Bondowners' Trustee at any time pursuant to this Section shall be applied in the following order of priority:

(i) first, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and

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

(iii) third, to the payment to the persons entitled thereto of the unpaid principal amounts of any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the

CITY CLERK

same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

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

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

The Bondowners' Trustee shall not be bound to recognize any person as a Registered Owner of any Bond until his title thereto, if disputed, has been established to its reasonable satisfaction.

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

(f) Suits by Individual Bond Owners Restricted. Neither the Registered Owner nor the beneficial owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless:

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(i) an Event of Default has happened and is continuing; and

(ii) a Bondowners' Trustee has been appointed; and

(iii) such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; and

(iv) the Registered Owners of 25% in principal amount of the Parity Bonds, after the occurrence of such Event of Default, has made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and

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

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

No Registered Owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by his action to affect or impair the obligation of the City to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective Registered Owners thereof when due.

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

Section 28. General Authorization. The Mayor of the City 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

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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 or her discretion and without further action by the City Council, (i) 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, (ii) deem final and approve the distribution of any preliminary official statement or official statement relating to the Bonds, (iii) comply with any continuing disclosure requirements applicable to the Bonds and (iv) change the Bond Registrar or any securities depository appointed for the Bonds.

Section 29. **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 30. **Ratification of Prior Acts.** Any action taken consistent with the authority of this ordinance, after its passage but prior to the effective date, is ratified, approved and confirmed.

Section 31. **Headings.** Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

CITY CLERK

Section 32. **Effective Date.** This ordinance shall take effect and be in force 30 days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 5th day of September, 2006, and signed by me in open session in authentication of its passage this 5th day of September, 2006.

President _____ of the City Council

Approved by me this 8th day of September, 2006.

Gregory J. Nickels, Mayor

Filed by me this 11th day of September, 2006.

City Clerk

(SEAL)

Attachment: Exhibit A

CITY CLERK

EXHIBIT A

Outstanding Drainage and Wastewater Parity Bonds

Issue Name	Dated Date	Original Par Amount	Parity Bond Authorizing Legislation
Drainage and Wastewater Utility Improvement and Refunding Revenue Bonds, 1995 ("1995 Bonds")	12/1/1995	$40,390,000	Ordinance 117875 and Resolution 29260
Drainage and Wastewater Revenue Bonds, 1998 ("1998 Bonds")	5/18/1998	$24,170,000	Ordinance 118974 and Resolution 29765
Drainage and Wastewater Improvement and Refunding Revenue Bonds, 1999 ("1999 Bonds")	10/1/1999	$55,000,000	Ordinance 119620 and Resolution 30039
Drainage and Wastewater Revenue Bonds, 2001 ("2001 Bonds")	7/1/2001	$60,080,000	Ordinance 120386 and Resolution 30347
Drainage and Wastewater Revenue and Refunding Bonds, 2002 ("2002 Bonds")	12/1/2002	$78,550,000	Ordinance 120386, Ordinance 120965 and Resolution 30548
Drainage and Wastewater Revenue Bonds, 2004 ("2004 Bonds")	10/28/2004	$62,010,000	Ordinance 121551 and Resolution 30716

CITY CLERK

2006 FISCAL NOTE

Department:	Contact Person/Phone:	DOF Analyst/Phone:
SPU	Leanne Galati 4-0455	Michael van Dyck 4-8347

Legislation Title:

AN ORDINANCE relating to financing and refinancing of the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and amending certain definitions in Ordinance 121938 relating to drainage and wastewater refunding revenue bonds.

- Summary of the Legislation:

This legislation provides the legal authorization to issue up to $49.2 million of new money bonds for the Drainage and Wastewater System, as it is assumed by Seattle Public Utility's CIP and rates proposal.

- Background:

Debt financing of the drainage and wastewater system's capital program is the routine administration of Council's budget direction. For further information please see the Capital Improvement Program and the utility's rates proposal.

- *Please check one of the following:*

____ This legislation does not have any financial implications.

X___ This legislation has financial implications.

- *Estimated Debt Service (in $1,000s):*

Annual debt service on the new money bonds will be approximately $3.2 million from 2007 through 2036. For more information, please see SPU's CIP and rates proposal.

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- What is the financial cost of not implementing this legislation?

Financing the utility's CIP out of cash would require massive rate increases in 2007. Since the capital improvements financed with this debt have a very long useful life and interest rates are currently so low, it is more practical to spread the costs of these improvements over current and future beneficiaries, by issuing bonds.

- Is the legislation subject to public hearing requirements? *(If yes, what public hearings have been held to date)*

No

- Other Issues (*including long-term implications of the legislation*):

None

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City of Seattle
Department of Finance

Dwight Dively, Director
Gregory J. Nickels, Mayor

July 11, 2006

Honorable Nick Licata
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Licata:

I am pleased to transmit the attached proposed Council Bill that authorizes the issuance of up to $49.2 million of Seattle Public Utility Drainage and Wastewater System revenue bonds. This bond issue is assumed in the rates proposal that has also been transmitted for your consideration.

The Drainage and Wastewater System revenue bonds will be used for a variety of Capital Improvement Program (CIP) projects, including sewer repair and replacement, Combined System Overflow (CSO) storage facilities, Madison Valley drainage improvements, Alaskan Way Viaduct and seawall storm infrastructure planning, restoration of altered stream and habitat, and South Lake Union water quality treatment.

Thank you for your consideration of this legislation. Should you have questions, please contact Michael van Dyck (DOF) at 684-8347 or Leanne Galati (SPU) at 684-0455.

Sincerely,

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Ave., 6th Floor, P.O. Box 94747, Seattle, Washington 98124-4747
Tel: (206) 233-0031 TDD: (206) 615-0476 Fax: (206) 233-0022
http://www.cityofseattle.net

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STATE OF WASHINGTON -- KING COUNTY

--ss.

202482 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:122209 ORDINANCE

was published on

09/15/06

The amount of the fee charged for the foregoing publication is the sum of $3,484.50, which amount has been paid in full.

Subscribed and sworn to before me on

09/15/06

Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication

City of Seattle

ORDINANCE 122209

AN ORDINANCE relating to the [illegible] and refinancing of the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and issuing and selling the bonds, authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds, creating certain accounts of the City relating to the bonds, and amending certain definitions in Ordinance 121938 relating to drainage and wastewater refunding revenue bonds.

WHEREAS, The City of Seattle (the "City") owns, maintains and operates a system of sanitary sewerage and storm and surface water drainage as part of Seattle Public Utilities (the "Drainage and Wastewater System"), which Drainage and Wastewater System has from time to time required various additions, improvements and extensions, and

WHEREAS, the City needs to acquire and construct certain additions and betterments to and extensions of the Drainage and Wastewater System as set forth in this ordinance (the "Plan of Additions"); and

WHEREAS, pursuant to the bond legislation described in Exhibit A, the City issued its drainage and wastewater revenue bonds [illegible]

WHEREAS, [illegible]

[illegible] *Outstanding Parity Bonds and any Parity Bonds issued under Ordinance 121938, "Adjusted Gross Revenue" shall be defined as follows: "Adjusted Gross Revenue" means [illegible] ... period.*

"Adjusted Net Revenue" means Adjusted Gross Revenue [illegible] Operating and Maintenance Expense.

"Alternate Security" means any insurance policy, collateral, security, letter of credit, standby bond purchase agreement, guaranty, surety bond, line of credit or similar credit enhancement device providing for or securing the payment of the principal of and interest on Parity Bonds, regarding the use of which the City receives (a) the approval of any Bond Insurer, and (b) written confirmation from Moody's and S&P to the effect that the use of such Alternate Security will not cause a reduction in any then existing ratings for any of the Parity Bonds.

"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 Requirement and conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment Agreements, the following shall apply:

1. Generally. Except as otherwise provided by subparagraph 2 with respect to Variable Interest Rate Bonds and by subparagraph 3 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.

2. 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 9[illegible] of the average RBI during the four calendar quarters preceding the quarter in which the calculation is made.

3. 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, [illegible] shall not be required to [illegible] Agreement [illegible] Annual Debt Service [illegible] Payment Agreement [illegible] years [illegible]

4. 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 3 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.

"Average Annual Debt Service" means, at the time of calculation, the sum of the Annual Debt Service [illegible]

"CIP" [illegible] the Drainage and Wastewater System [illegible] 2006–2011 Capital Improvement Program of the City, as adopted by the City in Ordinance [illegible], together with any previously adopted Capital Improvement Program of the City, as the CIP may be amended, updated, supplemented or replaced from time to time by ordinance.

"City" means The City of Seattle, Washington.

"City Council" [illegible]

"Closing Date" [illegible] 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, or any successor thereto, as it has been and may be amended from time to time, and regulations thereunder.

"Construction Account" means the "Drainage and Wastewater Construction Account 2006" created in the Drainage and Wastewater Fund by this ordinance.

"Contract Resource Obligation" means an obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 25.

"Coverage Requirement" means with respect to the Parity Bonds, Net Revenue and money from any other lawful source at least equal to 1.25 times the Average Annual Debt Service. *Upon the redemption or defeasance of all of the Outstanding Parity Bonds and any Parity Bonds issued under Ordinance 121938, "Coverage Requirement" shall be defined as follows: "Coverage Requirement" means Adjusted Net Revenue at least equal to 1.25 times Adjusted Annual Debt Service.*

"Director of Finance" means the Director of the Department of Finance of the City, or any other officer who succeeds to substantially all of the responsibilities of that office specified in this ordinance.

"Drainage and Wastewater Fund" means the fund created by Ordinance 84390 and later renamed by Ordinance 114155.

"Drainage and Wastewater System" means the drainage and wastewater system of the City, including the sanitary sewerage and storm drainage systems (except properties, interests, and rights under the jurisdiction of the City's Parks and Recreation Department, Seattle Center Department, Seattle Public Utilities Water System, City Light Department and Fleets and Facilities Department), as the same may be added to, improved and extended for as long as any Parity Bonds are outstanding. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, "Drainage and Wastewater System" shall include any utility systems of the City hereafter combined with the Drainage and Wastewater System, but not any separate utility system that may be created, acquired or constructed by the City as provided in Section 24.*

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

"Future Parity Bonds" means any and all revenue [illegible] and obligations of the Drainage and Wastewater System [illegible] than the Bonds, issued hereafter, the payment of the principal of and interest on which constitutes a lien and charge upon the Gross Revenue on a parity with the lien and charge upon such Gross Revenue for the Outstanding Parity Bonds and the Bonds. Future Parity Bonds may include Parity Payment Agreements and any other [illegible] to be issued in compliance with Section [illegible]

"Government Obligations" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government.

"Gross Revenue" means all the earnings, revenues, receipts and profits derived by the City through the ownership and operation of the Drainage and Wastewater System, 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 Drainage and Wastewater System, Payment Agreement Receipts, to the extent that such receipts are not offset by Payment Agreement Payments, and all of 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 Drainage and Wastewater System. Gross Revenue does not include: insurance proceeds compensating for the loss of a capital asset; income derived from investments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenue; investment income set aside for or 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; 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 Revenue [illegible]

[illegible] of other insurance [illegible] against the loss of revenues [illegible] ad valorem taxes, excise taxes, [illegible] assessments, including interest and penalties thereon. *Upon the redemption [illegible] Gross Revenue [illegible] pursuant to Section 24.*

"Independent Consulting Engineer" [illegible]

"Letter of Representations" [illegible] DTC [illegible]

"Maximum Annual Debt Service" [illegible]

"Moody's" [illegible]

"Net Revenue of the Drainage and Wastewater System" or "Net Revenue" means the Gross Revenue [illegible] and Maintenance Expense [illegible]

"Operating and Maintenance Expense" [illegible] Parity Bonds [illegible]

[illegible] Parity Bonds.

"Payment Agreement" means a [illegible] 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 legal investment permitted for money of the City.

"Plan of Additions" means the CIP, as it may be modified hereafter as described herein.

"Principal Amount" means, at the time of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), and (b) with respect to any Original Issue Discount Bond, the Accreted Value thereof, unless the ordinance or Bond Resolution under which such obligation was issued shall specify a different amount, in which case, the terms of the ordinance or Bond Resolution shall control.

"Principal and Interest Subaccount" means the subaccount of that name created in the Parity Bond Account by Ordinance 115098 for the payment of the principal of and interest on Parity Bonds.

"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 [illegible] surety bond, are rated in one of the [illegible] highest rating categories by Moody's and S&P or their comparably recognized business successors.

"Rate Stabilization Account" means the account of that name previously established by Section 26 of Ordinance 118974.

"Rating Agencies" means Moody's and S&P and their successors and any other nationally recognized securities rating agency [illegible] rating Parity Bonds at the request of the City.

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

"Registered Owner" means the person shown on the Bond Register as the owner of one or more Bonds.

"Reserve Requirement" means an amount equal to the least of the Maximum Annual Debt Service at the time of calculation, [illegible] 1.25 times Average Annual Debt Service at the time of calculation or 10% of the proceeds of Parity Bonds at the time of [illegible] respective issuances and payments [illegible] initial purchasers. The Reserve Requirement may be satisfied to the extent [illegible] under an Alternate Security [illegible] Bonds. The Reserve Requirement shall be [illegible] Permitted Investments or Alternate Security or any combination thereof [illegible] subject to the provisions of [illegible] any issue of Parity Bonds, the Reserve Requirement may be provided within five years after the issuance of such Parity Bonds in accordance with Section [illegible]

"Reserve Subaccount" means the subaccount [illegible] name created in the Parity Bond Account by Ordinance 115098 for the [illegible] securing the payment of the principal of and interest on Parity Bonds.

"Securities Depository" means [illegible] DTC [illegible] Midwest Securities Trust Company [illegible] Philadelphia Depository Trust Company [illegible] Registrar.

"Serial Bonds" [illegible] Sinking Fund Requirements are established.

"Sinking Fund Account" means any account created in the Parity Bond Account [illegible] the principal of and mandatory redemption of Term Bonds.

"Sinking Fund Requirement" means [illegible] the principal amount [illegible] Term Bonds required [illegible] redemption [illegible] Sinking Fund Account [illegible] established by the [illegible] Ordinance authorizing the issuance [illegible] Term Bonds.

"S&P" [illegible] Standard & Poor's [illegible] McGraw-Hill Companies [illegible]

"State" [illegible] Washington.

"Term Bonds" [illegible]

"ULID Assessments" [illegible]

"Undertaking" [illegible]

"Variable Interest Rate" [illegible]

[illegible] Adjusted Net Revenue [illegible] Average Annual Debt Service.

Section 3. Adoption of Plan of Additions. The CIP [illegible] betterments to and extensions of the Drainage and Wastewater System [illegible] Plan of Additions [illegible] CIP [illegible] Plan of Additions [illegible] is declared [illegible] $49,[illegible] the proceeds of the Bonds [illegible]

The Plan of Additions [illegible] any amendments, updates, supplements or replacements to the CIP [illegible] automatically shall constitute amendments to the Plan of Additions. The Plan of Additions also may be modified without amending the CIP to include other improvements if the City determines by ordinance that those amendments or other improvements constitute a system or plan of additions to or betterments or extensions of the Drainage and Wastewater System.

The Plan of Additions includes the purchase and installation of all materials, supplies, appliances, equipment and facilities, the acquisition of all permits, franchises, property and property rights, other capital assets, and all engineering, consulting and other professional services and studies (whether performed by the City or by other public or private entities) necessary or convenient to carry out the Plan of Additions.

Section 4. Authorization and Description of Bonds. The City shall issue and sell the Bonds in the aggregate principal amount of not to exceed $[illegible] for the purposes of paying all or part of the cost of carrying out the Plan of Additions, providing a bond reserve and issuing and selling the Bonds. The Bonds may be issued in one or more series. Each series of the Bonds shall be issued as Parity Bonds and may be combined with other Parity Bonds authorized separately.

The Bonds shall be dated and have such title, 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. The final maturity of any series of Bonds shall not exceed [illegible] years from the issue date of that series.

The Bonds shall be subject to optional or mandatory redemption, purchase or defeasance on the terms and at the times specified in the Bond Resolution, and all or some of the Bonds may be Term Bonds with mandatory redemption amounts, all as specified by the Bond Resolution. The Director of Finance also may specify in Bond closing documents the respective amounts of each maturity of the Bonds allocated to paying the costs of carrying out the Plan of Additions.

Section 5. Bond Resolution. 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, 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 Alternate Security, and conditions or covenants relating thereto, including additional terms, conditions and covenants relating to the Bonds that are required by the provider of Qualified Insurance, Alternate Security, letter of credit or other credit facility [illegible] consistent with the provisions of this ordinance, including but not limited to restrictions on investments and requirements of [illegible] consent of the provider of Qualified Insurance, Alternate Security, letter of credit or other credit facility.

For each series of Bonds, the Bond Resolution may approve and authorize the execution and delivery on behalf of the City [illegible] 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 establishment of the interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited to [illegible] agreements relating to the provision of Qualified Insurance, Alternate Security, letters of credit or other credit facilities, Payment Agreements and similar [illegible]

[illegible] make such determination and specification.

Section 6. Registration and Transfer or Exchange of Bonds. The Bonds shall be issued only in registered form [illegible] principal and interest [illegible] Register. The Bond Registrar shall [illegible] 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. [illegible] transferred [illegible]

[illegible] DTC [illegible] Registered Owner [illegible] Letter of Representations [illegible]

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

City of Seattle

ORDINANCE 122209

AN ORDINANCE relating to financing and refinancing of the drainage and wastewater system of The City of Seattle, adopting a system or plan of additions and betterments to and extensions of the drainage and wastewater system, authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and issuing and selling the bonds, authorizing the execution of certain agreements relating thereto, providing for the terms, conditions, covenants and manner of sale of the bonds, describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and amending certain definitions in Ordinance 121938 relating to drainage and wastewater refunding revenue bonds.

WHEREAS, The City of Seattle (the "City") owns, maintains and operates a system of sanitary sewerage and storm and surface water drainage as part of Seattle Public Utilities (the "Drainage and Wastewater System"), which Drainage and Wastewater System has from time to time required various additions, improvements and extensions; and

WHEREAS, the City needs to acquire and construct certain additions and betterments to and extensions of the Drainage and Wastewater System as set forth in this ordinance (the "Plan of Additions"), and

WHEREAS, pursuant to the bond legislation described in Exhibit A, the City issued its drainage and wastewater revenue bonds described in Exhibit A, and provided for the issuance of additional bonds having a lien and charge on the Net Revenue of the Drainage and Wastewater System on a parity of lien with those bonds ("Parity Bonds") upon compliance with certain conditions, and

WHEREAS, pursuant to Ordinance 121938 the City authorized the issuance and sale of drainage and wastewater revenue bonds for the purpose, among other things, of paying all or part of the costs of refunding certain of the City's drainage and wastewater revenue bonds; and

WHEREAS, the City has determined that it is in the best interest of the City to amend certain definitions contained in Ordinance 121938 to make such definitions consistent with definitions contained in Ordinance 121939, pursuant to which the City authorized the issuance and sale of water system revenue refunding bonds; and

WHEREAS, no bonds have been issued pursuant to Ordinance 121938, 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 drainage and wastewater revenue bonds as Parity Bonds, to pay part of the cost of carrying out the Plan of Additions, to provide a bond reserve and to pay the costs of issuing and selling those bonds; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance the words hereinafter defined shall have the meanings set forth in this Section.

"Accreted Value" means (a) with respect to any Capital Appreciation Bonds, as of the time of calculation, the sum of the amount set forth in the ordinance authorizing the Capital Appreciation Bonds as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue, in each case the Accreted Value shall be determined in accordance with the provisions of the ordinance authorizing the issuance of such bonds.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service provided for by Parity Bond proceeds.

"Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals

[illegible] Generally. Except as otherwise provided by subparagraph 2 with respect to Variable Interest Rate Bonds and by subparagraph 3 below with respect to Parity Bonds with respect to which a Payment Agreement is in force, interest on any series 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.

2. 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 [illegible] RBI during the four calendar quarters preceding the quarter in which the calculation is made.

3. 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 [illegible] Parity Bonds that would [illegible] 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 Parity Bonds that would [illegible] 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 on 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 [illegible] shall 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 3, 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 years or less.

4. 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 3 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.

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

"Bond Counsel" means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the City for any purpose under this ordinance applicable to the use of that term.

"Bond Insurance Policy" means a municipal bond new issue insurance policy issued by the Bond Insurer and approved by the City Council by the Bond Resolution or by ordinance, and guaranteeing the timely payment of principal of and interest on any issue of Parity Bonds in accordance with the terms of that policy.

"Bond Insurer" means any insurance company or other financial institution that provides a Bond Insurance Policy.

"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 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 revenue obligations of the Drainage and Wastewater System all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in the ordinance authorizing those obligations and is payable only upon redemption or on the maturity date of such obligations. Obligations which are issued as Capital Appreciation Bonds, but later convert to obligations on which interest is paid periodically shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

[illegible] and extent that any of the 1995 Bonds are outstanding. [illegible] Drainage and Wastewater System [illegible]

"DTC" means The Depository Trust Company, New York, New York [illegible]

"Future Parity Bonds" means [illegible] Drainage and Wastewater System [illegible]

"Government Obligations" means [illegible]

"Gross Revenue" means [illegible] Drainage and Wastewater System [illegible]

[illegible] 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 Revenue hereunder; (b) the proceeds of any borrowing for capital improvements [illegible] refinancing thereof; (c) the proceeds of any liability or other insurance (excluding business interruption insurance) [illegible] 1995 Bonds [illegible] Parity Bonds, Contract Resource Obligations [illegible] pursuant to Section 24.

"Independent Consulting Engineer" means the independent person or firm selected by the City having a favorable reputation for skill and experience with drainage and wastewater systems of comparable size and character to the Drainage and Wastewater System in such areas as are relevant to the purposes for which they were retained.

"Letter of Representations" means the Blanket Issuer Letter of Representations authorized hereunder to be delivered by the City to DTC, as it may be amended from time to time.

"Maximum Annual Debt Service" means, at the time of calculation, the maximum amount of Annual Debt Service which shall become due in the current or any future fiscal year with respect to all outstanding Parity Bonds.

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

"Net Revenue of the Drainage and Wastewater System" or "Net Revenue" means the Gross Revenue less Operating and Maintenance Expense [illegible] Gross Revenue.

"Operating and Maintenance Expense" means all reasonable expenses incurred by the City in causing the Drainage and Wastewater System to be operated and maintained [illegible] Parity Bonds [illegible] Drainage and Wastewater System [illegible] Drainage and Wastewater System [illegible] 1995 Bonds, Operating and Maintenance Expense also shall include payments [illegible] Contract Resource Obligations under the [illegible] described in Section 24.

"Original Issue Discount Bonds" means revenue obligations of the Drainage and Wastewater System which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds by the ordinance or Bond Resolution under which such obligations are issued.

"Outstanding Parity Bonds" means the then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, as described in Exhibit A.

"Parity Bond Account" means the Drainage and Wastewater Revenue Bond Account, 1990, created by Ordinance 115065 in the Drainage and Wastewater Fund for the purpose of paying and securing the principal of and interest on Parity Bonds.

"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 outstanding 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 Drainage and Wastewater System equal in rank with the charge and lien upon such Net Revenue required to be paid into the Parity Bond Account to pay and secure the [illegible] 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 comparable recognized business successors.

"Rate Stabilization Account" means the account of that name created in [illegible] Ordinance [illegible]

"Rating Agencies" means Moody's and S&P [illegible] Parity Bonds [illegible]

"RBI" means The Bond Buyer Revenue Bond Index [illegible] Treasury Obligations.

"Registered Owner" means the person named on the Bond Register as the owner of one or more Bonds.

"Reserve Requirement" means an amount equal to the least of the Maximum Annual Debt Service [illegible] Average Annual Debt Service [illegible] Parity Bonds at the time of [illegible] Parity Bonds [illegible] the Reserve Requirement shall be [illegible] Parity Bonds [illegible]

"Reserve Subaccount" means the subaccount of that name created in the Parity Bond Account by Ordinance 115065 for the purpose of securing the payment of the principal of and interest on Parity Bonds.

"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 Account 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.

"S&P" means Standard and Poor's, a Division of the McGraw Hill Companies, Inc.

"State" means the State of Washington.

"Term Bonds" means any bonds of any single issue or series designated as Term Bonds in the ordinance or resolution authorizing the issuance of such bonds.

"ULID Assessments" means all assessments levied and collected in a utility local improvement district of the City created for the acquisition or construction of additions and betterments and extensions of the Drainage and Wastewater System if and only if those assessments are pledged to be paid into the Parity Bond Account. ULID Assessments shall not include any prepaid assessments paid into a construction fund [illegible] ULID Assessments shall include installments thereof and any interest or penalties thereon.

"Undertaking" means the City's undertaking in the Bond Resolution to provide certain continuing disclosure as provided by Section 19.

"Variable Interest Rate" means any variable interest rate or rates to be borne by any Parity Bond. The method of computing the variable interest rate shall be as specified in the Parity Bond Ordinance [illegible]

"Variable Interest Rate Bonds" means [illegible] any Parity Bonds that bear a Variable Interest Rate [illegible] except that Parity Bonds shall 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. Amendment of Ordinance 121938. The following three definitions in Section 1 of Ordinance 121938 are amended to read as follows (additions are underlined and deletions are enclosed in double parentheses and struck through). All other definitions in Section 1 of Ordinance 121938 shall remain in full force and effect.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service provided for by Parity Bond proceeds.

"Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals from the Rate Stabilization Account made during that period and minus (1) ULID Assessments, (2) earnings from investments in the Reserve Subaccount and (3) deposits into the Rate Stabilization Account made during that period.

"Coverage Requirement" means with respect to the Parity Bonds, Net Revenue and money from any other lawful source at least equal to 1.25 times the Average Annual Debt Service. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, "Coverage Requirement" shall be defined as follows: "Coverage*

[illegible] necessary for that purpose [illegible] The Bonds shall mature [illegible] Bond Resolution, except that the [illegible] weighted average [illegible] The [illegible] from the date of that series.

The Bonds shall be subject to [illegible] redemption, purchase [illegible] in the Bond Resolution, and all or some of the Bonds may be Term Bonds with mandatory redemption amounts as provided in the Bond Resolution. The Director of Finance also may specify in Bond closing [illegible] the respective amounts of each maturity of the Bonds [illegible] paying the costs of carrying out the Plan of Additions.

Section 5. Bond Resolution. With respect to each series of Bonds, the City Council may adopt a Bond Resolution and other resolutions to provide for the matters described in this ordinance, including the manner of sale and delivery and payment of the Bonds and such other matters that the City Council deems necessary and appropriate to carry out the purposes of this ordinance. [illegible] the Bond Resolution [illegible] a part of this ordinance [illegible] herein.

For each series of Bonds, the Bond Resolution may provide for Qualified Insurance or Alternate Security and conditions or covenants relating thereto, including additional terms, conditions and covenants relating to the Bonds that are required by the provider of Qualified Insurance, Alternate Security, letter of credit or other credit facility that 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 provider of Qualified Insurance, Alternate Security, letter of credit or other credit facility.

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 establishment of the interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited to securities depository agreements, agreements relating to the provision of Qualified Insurance, Alternate Security, letter of credit or other credit facility, Payment Agreements and similar contracts for such purposes.

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 6. 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. [illegible] exchange or transfer shall be without [illegible] the Registered Owner or transferee. The [illegible] Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal or interest payment or redemption date [illegible] record date established by the Bond Registrar.

The City appoints DTC as initial Securities Depository for the Bonds. For so long as DTC is the Securities Depository for the Bonds, DTC or its nominee 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. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City approves the Blanket Issuer Letter of Representations with DTC substantially in the form on file with the City Clerk and by this reference made a part hereof (as it may be amended from time to time, the "Letter of Representations"). The Director of Finance is authorized and directed to execute and deliver the Letter of Representations on behalf of the City to DTC on or before the date of delivery of the first series of Bonds to the purchaser thereof and the payment therefor, with such changes as the Director of Finance deems to be in the best interest of the City, and his execution and delivery of the Letter of Representations shall be evidence conclusively of the approval of the Letter of Representations by the City.

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. Such 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.

For so long as the Bonds are registered in the name of DTC or any nominee thereof, all payments of the principal of or premium, if any, or interest with respect to 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 with respect to 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

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City of Seattle

ORDINANCE 122209

AN ORDINANCE relating to financing and refinancing of the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds, describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and amending certain definitions in Ordinance 121938 relating to drainage and wastewater refunding revenue bonds.

WHEREAS, The City of Seattle (the "City") owns, maintains and operates a system of sanitary sewerage and storm and surface water drainage as part of Seattle Public Utilities (the "Drainage and Wastewater System"), which Drainage and Wastewater System has from time to time required various additions, improvements and extensions; and

WHEREAS, the City needs to acquire and construct certain additions and betterments to and extensions of the Drainage and Wastewater System as set forth in this ordinance (the "Plan of Additions"); and

WHEREAS, pursuant to the bond legislation described in Exhibit A, the City issued its drainage and wastewater revenue bonds described in Exhibit A, and provided for the issuance of additional bonds having a lien and charge on the Net Revenue of the Drainage and Wastewater System on a parity of lien with those bonds ("Parity Bonds") upon compliance with certain conditions; and

WHEREAS, pursuant to Ordinance 121938, the City authorized the issuance and sale of drainage and wastewater revenue bonds for the purpose, among other things, of paying all or part of the costs of refunding certain of the City's drainage and wastewater revenue bonds; and

WHEREAS, the City has determined that it is in the best interest of the City to amend certain definitions contained in Ordinance 121938 to make such definitions consistent with definitions contained in Ordinance 121939, pursuant to which the City authorized the issuance and sale of water system revenue refunding bonds; and

WHEREAS, no bonds have been issued pursuant to Ordinance 121938, 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 drainage and wastewater revenue bonds as Parity Bonds, to pay part of the cost of carrying out the Plan of Additions, to provide a bond reserve and to pay the costs of issuing and selling those bonds; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance the words hereinafter defined shall have the meanings set forth in this Section.

"Accreted Value" means (a) with respect to any Capital Appreciation Bonds, as of the time of calculation, the sum of the amount set forth in the ordinance authorizing the Capital Appreciation Bonds as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value shall be determined in accordance with the provisions of the ordinance authorizing the issuance of such bonds.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service provided for by Parity Bond proceeds.

"Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals

[illegible]

1 Generally. Except as otherwise provided by subparagraph 2 with respect to Variable Interest Rate Bonds and by subparagraph 3 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.

2 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 90% of the average RBI during the four calendar quarters preceding the quarter in which the calculation is made.

3 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: 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 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 3, 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 years or less.

4 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 3 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.

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

"Bond Counsel" means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the City for any purpose under this ordinance applicable to the use of that term.

"Bond Insurance Policy" means a municipal bond new issue insurance policy issued by the Bond Insurer and approved by the City Council by the Bond Resolution or by ordinance, and guaranteeing the timely payment of principal of and interest on any issue of Parity Bonds in accordance with the terms of that policy.

"Bond Insurer" means an insurance company or other financial institution that provides a Bond Insurance Policy.

"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 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 revenue obligations of the Drainage and Wastewater System all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in the ordinance authorizing those obligations and is payable only upon redemption or on the maturity date of such obligations. Obligations which are issued as Capital Appreciation Bonds, but later convert to obligations on which interest is paid periodically, shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

[illegible] improved and extended for as long as any Parity Bonds are outstanding. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, "Drainage and Wastewater System" shall include any utility systems of the City hereafter combined with the Drainage and Wastewater System, but not any separate utility system that may be created, acquired or constructed by the City as provided in Section 24.*

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

"Future Parity Bonds" means any and all revenue bonds and obligations of the Drainage and Wastewater System (other than the Bonds) issued hereafter, the payment of the principal of and interest on which constitutes a lien and charge upon the Gross Revenue on a parity with the lien and charge upon such Gross Revenue for 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.

"Government Obligations" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government.

"Gross Revenue" means (a) all income, revenues, receipts and profits derived by the City through the ownership and operation of the Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater System. Gross Revenue does 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 Revenue; (c) investment income set aside for or 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 Revenue hereunder; (e) the proceeds of any borrowing for capital improvements (or the refinancing thereof); (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); and (g) general ad valorem taxes, excise taxes and special assessments, including interest and penalties thereon. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds Gross Revenue also shall not include earnings of any separate utility system that may be created, acquired, or constructed by the City pursuant to Section 24.*

"Independent Consulting Engineer" means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with drainage and wastewater systems of comparable size and character to the Drainage and Wastewater System in such areas as are relevant to the purposes for which they were retained.

"Letter of Representations" means the Blanket Issuer Letter of Representations authorized herein to be delivered by the City to DTC, as it may be amended from time to time.

"Maximum Annual Debt Service" means, at the time of calculation, the maximum amount of Annual Debt Service which shall become due in the current calendar year or in any future calendar year on any outstanding Parity Bonds.

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

"Net Revenue of the Drainage and Wastewater System" or **"Net Revenue"** means the Gross Revenue less Operating and Maintenance Expense paid from Gross Revenue.

"Operating and Maintenance Expense" means all reasonable expenses incurred by the City in causing the Drainage and Wastewater System to be operated and maintained in good repair, working order and condition, including without limitation payments (other than payments out of proceeds of Parity Bonds or other obligations not issued to pay current expenses of the Drainage and Wastewater System) into reasonable reserves for items of operating or maintenance expense the payment of which is not immediately required, payments of premiums for insurance, if any, on the Drainage and Wastewater System, and any State imposed taxes, and also including all payments made to another municipal corporation or other agency for treatment or disposal of sewage, but excluding depreciation and amortization and any City taxes imposed or levied on the Drainage and Wastewater System or Gross Revenue or payments in lieu of taxes payable from the Gross Revenue of the Drainage and Wastewater System, and payments of claims or judgments. Accounting for those expenses shall be in accordance with generally accepted accounting principles. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, Operating and Maintenance Expense also shall include amounts due under any Contract Resource Obligation under the conditions described in Section 25.*

"Original Issue Discount Bonds" means revenue obligations of the Drainage and Wastewater System which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds by the ordinance or Bond Resolution under which such obligations are issued.

"Outstanding Parity Bonds" means the then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, as described in Exhibit A.

"Parity Bond Account" means the "Drainage and Wastewater Revenue Bond Account, 1990" created by Ordinance 115098 in the Drainage and Wastewater Fund for the purpose of paying and securing the principal of and interest on Parity Bonds.

"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 outstanding 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 Drainage and Wastewater System equal in rank with the charge and lien upon such Net Revenue required to be paid into the Parity Bond Account to pay and secure the

[illegible] 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.

"Rate Stabilization Account" means the account of that name previously established by Section 26 of Ordinance 118971.

"Rating Agencies" means Moody's and S&P and their successors and any other nationally recognized securities rating agency or agencies rating Parity Bonds at the request of the City.

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

"Registered Owner" means the person shown on the Bond Register as the owner of one or more Bonds.

"Reserve Requirement" means an amount equal to the least of the Maximum Annual Debt Service at the time of calculation, 1.25 times Average Annual Debt Service at the time of calculation or 10% of the proceeds of Parity Bonds at the time of the dates of their respective issuances and payments therefor by the initial purchasers. The Reserve Requirement may be satisfied to the extent of the amount payable under an Alternate Security which contains a contract to provide money to pay debt service on Parity Bonds. The Reserve Requirement shall be provided by cash, Permitted Investments or Alternate Security or any combination thereof, and shall be subject to the provisions of Section 17(d). For any issue of Parity Bonds, the Reserve Requirement may be provided within five years after the issuance of such Parity Bonds in accordance with Section 18.

"Reserve Subaccount" means the subaccount of that name created in the Parity Bond Account by Ordinance 115098 for the purpose of securing the payment of the principal of and interest on Parity Bonds.

"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 Account 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.

"S&P" means Standard and Poor's, a Division of the McGraw-Hill Companies, Inc.

"State" means the State of Washington.

"Term Bonds" means any bonds of any single issue or series designated as Term Bonds in the ordinance or resolution authorizing the issuance of such bonds.

"ULID Assessments" means all assessments levied and collected in a utility local improvement district of the City created for the acquisition or construction of additions to and betterments and extensions of the Drainage and Wastewater System if (and only if) those assessments are pledged to be paid into the Parity Bond Account. ULID Assessments shall not include any prepaid assessments paid into a construction fund or account. ULID Assessments shall include installments thereof and any interest or penalties thereon.

"Undertaking" means the City's undertaking in the Bond Resolution to provide certain continuing disclosure as provided by Section 19.

"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 (1) 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 (2) 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. Amendment of Ordinance 121938. The following three definitions in Section 1 of Ordinance 121938 are amended to read as follows (additions are underlined and deletions are enclosed in double parentheses and struck through). All other definitions in Section 1 of Ordinance 121938 shall remain in full force and effect.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service provided for by Parity Bond proceeds.

"Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals from the Rate Stabilization Account made during that period, and minus (1) ULID Assessments, (2) earnings from investments in the Reserve Subaccount and (3) ~~((less))~~ deposits into the Rate Stabilization Account made during that period.

"Coverage Requirement" means, with respect to the Parity Bonds, Net Revenue and money from any other lawful source at least equal to 1.25 times the Average Annual Debt Service. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, "Coverage Requirement" shall be defined as follows: "Coverage*

[illegible] the Bonds [illegible] necessary for [illegible] 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. The final maturity of any series of Bonds shall not exceed 30 years from the issue date for that series.

The Bonds shall be subject to optional or mandatory redemption, purchase or defeasance on the terms and at the times specified in the Bond Resolution, and all or some of the Bonds may be Term Bonds with mandatory redemption amounts, all as specified by the Bond Resolution. The Director of Finance also may specify in Bond closing documents the respective amounts of each maturity of the Bonds allocated to paying the costs of carrying out the Plan of Additions.

Section 5. Bond Resolution. 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, 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 Alternate Security, and conditions or covenants relating thereto, including additional terms, conditions and covenants relating to the Bonds that are required by the provider of Qualified Insurance, Alternate Security, letter of credit or other credit facility 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 provider of Qualified Insurance, Alternate Security, letter of credit or other credit facility.

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 establishment of the interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited to securities depository agreements, agreements relating to the provision of Qualified Insurance, Alternate Security, letter of credit or other credit facility, Payment Agreements and similar contracts for such purposes.

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 6. 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 15 days preceding any principal or interest payment or redemption date (or other record date established by the Bond Resolution).

The City appoints DTC as initial Securities Depository for the Bonds. For so long as DTC is the Securities Depository for the Bonds, DTC or its nominee 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. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City approves the Blanket Issuer Letter of Representations with DTC substantially in the form on file with the City Clerk and by this reference made a part hereof (as it may be amended from time to time, the "Letter of Representations"). The Director of Finance is authorized and directed to execute and deliver the Letter of Representations, on behalf of the City, to DTC on or before the date of delivery of the first series of Bonds to the purchaser thereof and the payment therefor, with such changes as the Director of Finance deems to be in the best interest of the City, and his execution and delivery of the Letter of Representations shall evidence irrevocably the approval of the Letter of Representations by the City.

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.

For so long as the Bonds are registered in the name of DTC or any nominee thereof, all payments of the principal of, or premium, if any, or interest with respect to 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 with respect to 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

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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 its nominee) as the sole and exclusive Registered Owner of the Bonds registered in its name for the purposes of payment of the principal of, premium if any, or interest with respect to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Registered Owners 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 participant, or any other person which is not shown on the Bond Register as being a Registered Owner of Bonds, with respect to: (i) the Bonds; (ii) any records maintained by DTC or any such participant; (iii) the payment by DTC or any such direct or indirect participant of any amount in respect of the principal of, premium, if any, or interest with respect to the Bonds; (iv) any notice which is permitted or required to be given to Registered Owners of Bonds under this ordinance or the Bond Resolution; (v) the selection by DTC or any such direct or indirect participant of any person to receive payment in the event of a partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner of the Bonds.

For 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 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 [illegible] such consent or other action and [illegible] DTC notice of such special record [illegible] than 15 calendar days in [illegible] special record date to the [illegible]

[illegible] Bond Registrar, in its written [illegible] of its duties under this ordinance [illegible] 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 delivered in fully immobilized form may be discontinued at any time if: (i) after notice to the City and the Bond Registrar, DTC determines to resign as Securities Depository for the Bonds; or (ii) 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 (i) 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 7. 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. If the provisions of State law at any time differ from the provisions of this Section with respect to the requirements or procedures for replacing or otherwise handling mutilated, lost, stolen or destroyed Bonds, then the provisions of State law shall prevail.

Section 8. 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 15th day of the month preceding the interest payment date (or other record date established by the Bond Resolution) (the "Record Date") or, at the request of a 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 to the Bond Registrar. 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 Account. The Bonds shall not be general obligations of the City.

Section 9. Redemption and 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 [illegible] the Bond Resolution [illegible]

b. Mandatory Redemption. [illegible]

[illegible] directed by the Director of Finance.

e. Bonds to be Canceled. All Bonds purchased or redeemed under this Section shall be canceled.

Section 10. Notice of Redemption. The City shall cause notice of any intended redemption of Bonds to be given not less than 30 nor more than 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 the Rating Agencies, at their offices in New York, New York, or their successors, to any provider of Qualified Insurance or Alternate Security 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 none of these additional mailings shall be a condition precedent to the redemption of Bonds.

Section 11. 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 Account 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 12. 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 of the City 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, Drainage and Wastewater 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 13. Bond Registrar; Appointment of Other Agents. 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 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 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 14. Finding of Sufficiency of Revenues. A series of Bonds will be issued only if the City finds and determines in the Bond Resolution that (a) the issuance and sale of the Bonds is in the best interest of the City and in the public interest, and (b) the Gross Revenues, at the rates established from time to time consistent with Section 16(a), will be sufficient, in the judgment of the City, to meet all expenses of operation and maintenance of the Drainage and Wastewater System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of the Gross Revenue (including Outstanding Parity Bonds) and pledged herein for the payment of the Bonds. In making such findings and determinations the City shall have had due regard to the cost of operation and maintenance of the Drainage and Wastewater System and to any portion of the Gross Revenues pledged for the payment of any bonds, warrants or other indebtedness.

Section 15. Security for Parity Bonds; Flow of Funds.

a. Pledge; Lien and Charge of Parity Bonds. The Net Revenue is pledged for the payment of the Parity Bonds. This pledge shall constitute a lien and charge upon such Net Revenue prior and superior to any other liens and charges whatsoever. *Upon the [illegible] of all outstanding [illegible] the Parity Bonds [illegible]*

[illegible] and binds itself to set aside [illegible] Parity Bond Account from the [illegible] Wastewater Fund out of the Net [illegible] and certain fixed amounts without regard [illegible] any fixed proportion, namely:

i. Into the Principal and Interest Subaccount, on or before each interest principal and interest payment date, money which, together with the money already deposited in that account, is sufficient to pay the interest or principal and interest (as the case may be) due that date (including any mandatory redemption, mandatory sinking fund or optional redemption payments) on the Parity Bonds; and

ii. Into the Reserve Subaccount an amount necessary to provide for the Reserve Requirement for the Parity Bonds within the time and in the manner required by this ordinance. The amount necessary to satisfy the Reserve Requirement upon the issuance of the Bonds may be funded (i) on the date of issue of the Bonds, by a deposit from the proceeds of the Bonds or by an Alternate Security or (ii) in annual installments from Net Revenue so that the Reserve Requirement is fully funded by the fifth anniversary of the date of issue of the Bonds. The manner of funding the Reserve Requirement for the Bonds shall be specified in the Bond Resolution.

Upon the redemption or defeasance of all then outstanding 1995 Bonds, the City shall pay into the Parity Bond Account all ULID Assessments on their collection.

d. Reserve Subaccount. The City covenants and agrees that it will at all times maintain in the Reserve Subaccount an amount equal to the Reserve Requirement for all Parity Bonds, except for withdrawals therefrom as authorized herein, until there is a sufficient amount in the Principal and Interest Subaccount and Reserve Subaccount to pay the principal of and interest on all outstanding Parity Bonds, at which time the money in the Reserve Subaccount may be used to pay any such principal and interest so long as the money remaining on deposit in the Reserve Subaccount is no less than the Reserve Requirement for the remaining outstanding Parity Bonds.

If there shall be a deficiency in the Principal and Interest Subaccount to meet maturing installments of either principal of or interest on any of the Parity Bonds, such deficiency shall be made up from the Reserve Subaccount by the withdrawal of cash therefrom. Any deficiency created in the Reserve Subaccount by reason of any such withdrawal will then be made up from the Net Revenue of the Drainage and Wastewater System which shall be first available after making necessary provisions for the required payments into the Principal and Interest Subaccount.

e. Investment of Money in Parity Bond Account. All money in the Parity Bond Account may be kept in cash or invested in Permitted Investments maturing not later than the date when needed (for investments in the Principal and Interest Subaccount) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall any money in the Parity Bond Account or any other money reasonably expected to be used to pay principal and/or interest on the Parity Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. Income from investments in the Principal and Interest Subaccount shall be deposited in that subaccount. Income from investments in the Reserve Subaccount shall be deposited in that subaccount until the amount therein is equal to the Reserve Requirement for all Parity Bonds, and thereafter shall be deposited in the Principal and Interest Subaccount.

The City may create sinking fund subaccounts or other subaccounts in the Parity Bond Account for the payment or securing the payment of Parity Bonds as long as the maintenance of such subaccounts does not conflict with the rights of the owners of Parity Bonds.

Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond Account, any earnings which are subject to a federal tax or rebate requirement may be withdrawn from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no longer required for such rebate, money in that separate fund or account shall be returned to the Parity Bond Account.

f. Failure to Deposit Money in Parity Bond Account. If the City fails to set aside and pay into the Parity Bond Account, including the Reserve Subaccount, the amounts set forth above, the Registered Owner of any of the outstanding Parity Bonds may bring action against the City and compel such setting aside and payment. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, a Registered Owner of Parity Bonds may bring an action against the City for failure to make the required deposits to the Parity Bond Account only in accordance with Section 27.*

g. Provision for Maintenance and Operation Expense. It is declared that in creating the Parity Bond Account and in fixing the amounts to be paid into it as provided in subsections (c) and (d) of this Section, the City Council has had due regard for Operating and Maintenance Expense (and cost of maintenance and operation as contemplated by RCW 35.67.130), and is not setting aside into the Parity Bond Account a greater amount than in the judgment of the City Council, based on the rates to be established from time to time consistent with Section 16(a), will be available over and above such Operating and Maintenance Expense (and such cost of maintenance and operation).

Section 16. Parity Bond Covenants. The City covenants and agrees with the owner of each of the Parity Bonds as follows:

a. Rates and Charges; Coverage Requirement. It will establish, maintain, revise as necessary and collect such rates and charges for drainage and wastewater service furnished which will produce Net Revenue (*or, upon the redemption or defeasance of all then outstanding 1995 Bonds, Adjusted Net Revenues*) available for debt service each calendar year at least equal to the Coverage Requirement. It will not change any rate or charge for drainage and wastewater service as now established by the existing rate ordinance or ordinances of the City that will substantially reduce the annual Gross Revenue of the Drainage and Wastewater System below that which would have been obtained before such change unless the City shall have on file a certificate from an Independent Consulting Engineer or a certified public accountant experienced in drainage and wastewater system rates and charges, stating the rates and charges as so changed will provide Gross Revenue of the Drainage and Wastewater System sufficient to comply with all the covenants and requirements of this ordinance, including the Coverage Requirement.

Upon the redemption or defeasance of all then-outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2001 Bonds and 2004 Bonds, this paragraph (a) shall be replaced in its entirety with the following:

a. Rates and Charges; Coverage Requirement. It will establish, maintain, revise as necessary and collect such rates [illegible]

[illegible] depreciated cost value of the property being encumbered or disposed of under this subparagraph (ii) in any fiscal year comprises no more than 5% of the total assets of the Drainage and Wastewater System; or

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

d. Books and Records. It will, while any of the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Drainage and Wastewater System, and it will furnish the Registered Owner(s) of the Bonds or any subsequent Registered Owner(s) thereof, at the written request of such Registered Owner(s), complete operating and income statements of the Drainage and Wastewater System in reasonable detail covering any fiscal year not more than six months after the close of such fiscal year and it will grant any Registered Owner(s) of at least 25% of the outstanding Bonds the right at all reasonable times to inspect the entire Drainage and Wastewater System and all records, accounts and data of the City relating thereto. Upon request of any Registered Owner of any of the Bonds, it also will furnish to such Registered Owner a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

e. Operating and Maintenance Expense. It will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City as herein set forth.

Section 17. 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 the 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.

Section 18. Future Parity Bond Conditions. The City further covenants with the owner of each of the Bonds for as long as any of the Bonds are outstanding that it will not create any special account or fund or accounts or funds for the payment of the principal of and interest on any other revenue obligations or issue any other revenue obligations which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Net Revenue of the Drainage and Wastewater System nor will it issue Future Parity Bonds, except that it reserves the right for:

First, the purpose of acquiring, constructing and installing additions to and betterments and improvements and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to the Drainage and Wastewater System pursuant to an adopted system or plan of additions thereto and betterments and improvements thereof, or

Second, the purpose of refunding by exchange or purchasing and retiring or advance refunding by call and payment at or prior to their maturity any part or all of the outstanding Parity Bonds, or

Third, other purposes then permitted by law,

to issue Future Parity Bonds therefor, and to make payments into the Parity Bond Account from the Net Revenue sufficient to pay the principal of and interest on such Future Parity Bonds and to maintain a reserve therefor as hereinafter required which payments may rank equally with the payments out of the Net Revenue required to be made into the Parity Bond Account by this ordinance, if the following conditions and requirements are met and complied with at the time of the issuance of such Future Parity Bonds:

a. At the time of issuance of such Future Parity Bonds, there shall not be a deficiency in either the Principal and Interest Subaccount or the Reserve Subaccount in the Parity Bond Account.

b. The Parity Bond Ordinance authorizing Future Parity Bonds shall provide for the creation of a sinking fund account in the Parity Bond Account for any Term Bonds to be issued and for regular payments to be made into such account for the payment of the principal of such Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of such Term Bonds prior to their maturity date (except for a portion of such Term Bonds scheduled for redemption on their maturity date) from money in the Principal and Interest Account.

The Parity Bond Ordinance authorizing such Future Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Parity Bond Account and shall further provide for the payment from the Net Revenue (*and, after the redemption or defeasance of all outstanding 1995 Bonds, from ULID Assessments*) or from proceeds of those Future Parity Bonds or from an Alternate Security, or by more than one, the Reserve Requirement of such Future Parity Bonds, except if such Future Parity Bonds are issued for the purpose of refunding any outstanding Parity Bonds, the amount of such reserve allocated to such bonds being so refunded shall be retained or used as a reserve for such refunding Future Parity Bonds or used to retire outstanding Bonds or outstanding Future Parity Bonds pursuant to the refunding plan, which reserve amount shall be replaced [illegible]

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

c. Upon the redemption or defeasance of all then outstanding 1995 Bonds, the Parity Bond Ordinance authorizing the Future Parity Bonds shall provide that all ULID Assessments shall be paid directly into the Parity Bond Account.

Section 19. 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 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(b)(5). The particular terms of any such Undertaking shall be set forth in the Bond Resolution.

Section 20. Refunding and Defeasance. The Bonds are hereby designated "Refundable Bonds" for purposes of Ordinance 121938. The City may issue 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, premium, if any, and interest on the Bonds, or portion thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund or defease the Bonds (the "defeased Bonds") and to pay the costs of such refunding or defeasance. If [illegible] obligations sufficient [illegible]

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

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 15 calendar days in advance of such special record date to the extent practical.

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 delivered in fully immobilized form may be discontinued at any time if: (i) after notice to the City and the Bond Registrar, DTC determines to resign as Securities Depository for the Bonds; or (ii) 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 (i) 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 by taking appropriate action after reasonable notice to arrange for another Securities Depository to maintain custody of certificates evidencing the Bonds.

Section 7. 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. If the provisions of State law at any time differ from the provisions of this Section with respect to the requirements or procedures for replacing or otherwise handling mutilated, lost, stolen or destroyed Bonds, then the provisions of State law shall prevail.

Section 8. 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 15th day of the month preceding the interest payment date (or other record date established by the Bond Resolution) (the "Record Date") or, at the request of a 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 the Bond Registrar. 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 Account. The Bonds shall not be general obligations of the City.

Section 9. Redemption and 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 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, purchases or defeases Term Bonds, the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase price) shall be credited at the par amount thereof against one or more scheduled mandatory redemption amounts for those Term Bonds. The Director of Finance shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of such allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given. If no such determination is made, such allocation shall be on a pro rata basis.

c. Partial Redemption. Whenever less than all of the Bonds of a single series and maturity are to be redeemed, the Bond Registrar shall select the Bonds or portions thereof to be redeemed from the Bonds of that series and 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. Purchase. The City reserves the right and option to purchase any or all of the Bonds at any time at any price acceptable to the City plus accrued interest to the date of purchase. The principal amount of Term Bonds purchased pursuant to this Section shall be credited at the par amount thereof against the next mandatory redemption requirement that is at least 60 days after the date

ordinance.

CERTIFICATE OF AUTHENTICATION

This Bond is one of the fully registered The City of Seattle, Washington, Drainage and Wastewater 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 13. Bond Registrar; Appointment of Other Agents. 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 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 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 14. Finding of Sufficiency of Revenues. A series of Bonds will be issued only if the City finds and determines in the Bond Resolution that (a) the issuance and sale of the Bonds is in the best interest of the City and in the public interest, and (b) the Gross Revenues, at the rates established from time to time consistent with Section 16(a), will be sufficient, in the judgment of the City, to meet all expenses of operation and maintenance of the Drainage and Wastewater System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of the Gross Revenue (including Outstanding Parity Bonds) and pledged herein for the payment of the Bonds. In making such findings and determinations, the City shall have had due regard to the cost of operation and maintenance of the Drainage and Wastewater System and to any portion of the Gross Revenues pledged for the payment of any bonds, warrants or other indebtedness.

Section 15. Security for Parity Bonds; Flow of Funds.

a. Pledge; Lien and Charge of Parity Bonds. The Net Revenue is pledged for the payment of the Parity Bonds. This pledge shall constitute a lien and charge upon such Net Revenue prior and superior to any other liens and charges whatsoever. *Upon the redemption or defeasance of all outstanding 1995 Bonds, all ULID Assessments shall be pledged to the payment of the Parity Bonds.*

b. Priority Expenditure of Gross Revenue. So long as any Parity Bonds are outstanding, all Gross Revenue, except for earnings on investments in the Parity Bond Account or other bond redemption fund, arbitrage rebate account, refunding escrow account or other trust account, unless those earnings are transferred from those accounts or funds to the Drainage and Wastewater Fund, shall be deposited as received in the Drainage and Wastewater Fund and shall be used, paid out and distributed in the following order of priority (by paragraphs):

i. To pay, together with any other money made available for such purpose, the Operating and Maintenance Expense.

ii. To make the required payments into the Principal and Interest Subaccount for all Parity Bonds.

iii. To make the required payments into the Reserve Subaccount for all Parity Bonds.

iv. To make all required payments into any revenue bond redemption fund created to pay and secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a lien and charge upon the Net Revenue of the Drainage and Wastewater System subordinate to the lien thereon for the payment of the principal of and interest on Parity Bonds; and

v. To redeem and retire any sewer revenue bonds of the City then outstanding or to purchase any or all of those bonds at a price not in excess of the price at which those bonds could be redeemed at the next call date; to make necessary additions, betterments, repairs, extensions and replacements of the Drainage and Wastewater System or other purposes proper to its maintenance and operation, including the payment of any City taxes or payments in lieu of taxes payable from Gross Revenue of the Drainage and Wastewater System, or for any other lawful Drainage and Wastewater System purpose, *including, upon the redemption or defeasance of all then outstanding 1995 Bonds, to make deposits to the Rate Stabilization Account.*

The City may transfer from any funds or accounts of the City legally available therefor, except bond redemption funds, any money therein to meet the required payments to be made into the Parity Bond Account.

c. Parity Bond Account; Deposit of Net Revenue. The Parity Bond Account has been created in the Drainage and Wastewater Fund as a special fund of the City, which account is divided into two subaccounts, a Principal and Interest Subaccount and a Reserve Subaccount. So long as any Parity Bonds are outstanding against the Parity Bond Account, the City obligates

e. Investment of Money in Parity Bond Account. All money in the Parity Bond Account may be kept in cash or invested in Permitted Investments maturing not later than the date when needed (for investments in the Principal and Interest Subaccount) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall any money in the Parity Bond Account or any other money reasonably expected to be used to pay principal and/or interest on the Parity Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. Income from investments in the Principal and Interest Subaccount shall be deposited in that subaccount. Income from investments in the Reserve Subaccount shall be deposited in that subaccount until the amount therein is equal to the Reserve Requirement for all Parity Bonds, and thereafter shall be deposited in the Principal and Interest Subaccount.

The City may create sinking fund subaccounts or other subaccounts in the Parity Bond Account for the payment or securing the payment of Parity Bonds as long as the maintenance of such subaccounts does not conflict with the rights of the owners of Parity Bonds.

Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond Account, any earnings which are subject to a federal tax or rebate requirement may be withdrawn from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no longer required for such rebate, money in that separate fund or account shall be returned to the Parity Bond Account.

f. Failure to Deposit Money in Parity Bond Account. If the City fails to set aside and pay into the Parity Bond Account including the Reserve Subaccount the amounts set forth above, the Registered Owner of any of the outstanding Parity Bonds may bring action against the City and compel such setting aside and payment. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, a Registered Owner of Parity Bonds may bring an action against the City for failure to make the required deposits to the Parity Bond Account only in accordance with Section 27.*

g. Provision for Maintenance and Operation Expense. It is declared that in creating the Parity Bond Account and in fixing the amounts to be paid into it as provided [illegible] the City Council has had due regard for the Operating and Maintenance Expense and [illegible] will be available over and above such Operating and Maintenance Expense (and such cost of maintenance and operation).

Section 16. Parity Bond Covenants. The City covenants and agrees with the owner of each of the Parity Bonds as follows:

a. Rates and Charges; Coverage Requirement. It will establish, maintain, revise as necessary and collect such rates and charges for drainage and wastewater service furnished which will produce Net Revenue (*or, upon the redemption or defeasance of all then outstanding 1995 Bonds, Adjusted Net Revenue*) available for debt service each calendar year at least equal to the Coverage Requirement. It will not change any rate or charge for drainage and wastewater service as now established by the existing rate ordinance or ordinances of the City that will substantially reduce the annual Gross Revenue of the Drainage and Wastewater System below that which would have been obtained before such change unless the City shall have on file a certificate from an Independent Consulting Engineer or a certified public accountant experienced in drainage and wastewater system rates and charges, stating the rates and charges as so changed will provide Gross Revenue of the Drainage and Wastewater System sufficient to comply with all the covenants and requirements of this ordinance, including the Coverage Requirement.

Upon the redemption or defeasance of all then-outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2001 Bonds and 2004 Bonds, this paragraph (a) shall be replaced in its entirety with the following:

a. Rates and Charges; Coverage Requirement. It will establish, maintain, revise as necessary and collect such rates and charges for services and facilities provided by the Drainage and Wastewater System so that Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement. The failure of the City to comply with this paragraph (a) shall not be an Event of Default under this ordinance if the City promptly retains an Independent Consulting Engineer to recommend to the City Council adjustments in the rates of the Drainage and Wastewater System necessary to meet the requirements of this paragraph (a) and if the City Council adopts the recommended modifications within 180 days of the date the failure became known to the City Council.

b. Maintenance of Drainage and Wastewater System. It will at all times maintain and keep the Drainage and Wastewater System in good repair, working order and condition, including, from time to time, making or causing to be made all necessary and proper repairs, renewals and replacements so that at all times the operation of such system shall be properly and advantageously conducted, and will at all times operate the Drainage and Wastewater System and the business in connection therewith in an efficient manner and at a reasonable cost.

c. Sale of Drainage and Wastewater System. It will not sell, lease, mortgage, or in any manner encumber or dispose of all of the property of the Drainage and Wastewater System unless provision is made for the payment into the Parity Bond Account of an amount sufficient to pay the principal of and interest on Parity Bonds then outstanding, and it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Drainage and Wastewater System that is used, useful and material to the operation thereof, except consistent with one or more of the following:

i. if provision is made for replacement thereof, or for payment into the Parity Bond Account of the total amount of Gross Revenue received from the portion of the Drainage and Wastewater System sold, leased, mortgaged, encumbered or disposed of which shall not be less than an amount which shall bear the same ratio to the amount of Parity Bonds then outstanding as the Gross Revenue available for debt service for such outstanding bonds for the 12 months preceding such sale, lease, mortgage, encumbrance or disposal from the portion of the Drainage and Wastewater System sold, leased, mortgaged, encumbered or disposed of bears to the Gross Revenue available for debt service for the then outstanding Parity Bonds from the entire Drainage and Wastewater System of the City for the same period. Any such money so paid into the Parity Bond Account shall be used to retire such Parity Bonds at the earliest possible date; or

ii. upon the redemption or defeasance of all then outstanding 1995 Bonds, if the aggre-

bonds it also will furnish to any Registered Owner a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

e. Operating and Maintenance Expense. It will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City as herein set forth.

Section 17. 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 the 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.

Section 18. Future Parity Bond Conditions. The City further covenants with the owner of each of the Bonds for as long as any of the Bonds are outstanding that it will not create any special account or fund or accounts or funds for the payment of the principal of and interest on any other revenue obligations or issue any other revenue obligations which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Net Revenue of the Drainage and Wastewater System, nor will it issue Future Parity Bonds, except that it reserves the right for:

First, the purpose of acquiring, constructing and installing additions to, and betterments and improvements and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to the Drainage and Wastewater System pursuant to an adopted system or plan of additions thereto and betterments and improvements thereof, or

Second, the purpose of refunding by exchange or purchasing and retiring or advance refunding by call and payment at or prior to their maturity any part or all of the outstanding Parity Bonds, or

Third, other purposes then permitted by law.

[illegible] Future Parity Bonds [illegible] payments into the Parity Bond Account from the Net Revenue sufficient to pay the principal of and interest on such Future Parity Bonds and to maintain a reserve therefor as hereinafter required, which payments may rank equally with the payments out of the Net Revenue required to be made into the Parity Bond Account by this ordinance, if the following conditions and requirements are met and complied with at the time of the issuance of such Future Parity Bonds:

a. At the time of issuance of such Future Parity Bonds, there shall not be a deficiency in either the Principal and Interest Subaccount or the Reserve Subaccount in the Parity Bond Account.

b. The Parity Bond Ordinance authorizing Future Parity Bonds shall provide for the creation of a sinking fund account in the Parity Bond Account for any Term Bonds to be issued and for regular payments to be made into such account for the payment of the principal of such Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of such Term Bonds prior to their maturity date (except for a portion of such Term Bonds scheduled for redemption on their maturity date) from money in the Principal and Interest Account.

c. The Parity Bond Ordinance authorizing such Future Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Parity Bond Account and shall further provide for the payment from the Net Revenue (*and, after the redemption or defeasance of all outstanding 1995 Bonds, from ULID Assessments*) or from proceeds of those Future Parity Bonds or from an Alternate Security, or by more than one, the Reserve Requirement of such Future Parity Bonds, except if such Future Parity Bonds are issued for the purpose of refunding any outstanding Parity Bonds, the amount of such reserve allocated to such bonds being so refunded shall be retained or used as a reserve for such refunding Future Parity Bonds or used to retire outstanding Bonds or outstanding Future Parity Bonds pursuant to the refunding plan, which reserve amount shall be replaced in the same manner and within the same time as required for additional Future Parity Bonds, or such reserve may remain in the Reserve Subaccount to be used as the reserve for remaining Parity Bonds. To the extent that the Reserve Requirement is not funded with proceeds of such Future Parity Bonds or by an Alternate Security, it shall be funded by equal annual deposits from Net Revenue (*and, after the redemption or defeasance of all then outstanding 1995 Bonds, from ULID Assessments*) so that it is fully deposited in the Reserve Subaccount by the fifth anniversary date of the date of the Future Parity Bonds.

Immediately prior to the issuance of Future Parity Bonds, amounts then deposited in the Reserve Subaccount shall be valued as determined on the most recent annual financial report of the City applicable to the Drainage and Wastewater System, and the additional amounts, if any, needed to be deposited into the Reserve Subaccount to satisfy the Reserve Requirement shall be based on that valuation.

d. At the time of the issuance of such Future Parity Bonds, the City shall have on file a certificate of the Director of Seattle Public Utilities or a certificate from an Independent Consulting Engineer or a certified public accountant experienced in Drainage and Wastewater System rates and charges showing that in his or her professional opinion the Net Revenue will be equal to the Coverage Requirement. However, if Future Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding Parity Bonds, such certification of coverage shall not be required if the Annual Debt Service in each year for the refunding bonds is not increased over the amount required for the bonds to be refunded thereby and the maturities of those refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby.

The certificate in estimating the Net Revenue or Adjusted Net Revenue, as applicable, shall use the historical Gross Revenue for any 12 consecutive months out of the 24 months immediately preceding the month of delivery of the Future Parity Bonds. The Gross Revenue may be adjusted to reflect any changes in rates in effect and being charged or expressly committed by ordinance of the City Council to be made in the future, may include income derived from customers of the Drainage and Wastewater System that have become customers during the 12 consecutive month period or thereafter adjusted to reflect one year's net revenue from such customers; may include revenues from any customers to be connected to the Drainage and Wastewater System who have paid the required connection charges, may include the revenue to be derived from any person, firm, corporation or municipal corporation under any executed contract for Drainage or Wastewater service

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

e. Upon the redemption or defeasance of all then outstanding 1995 Bonds, the Parity Bond Ordinance authorizing the Future Parity Bonds shall provide that all ULID Assessments shall be paid directly into the Parity Bond Account.

Section 19. 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 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(b)(5). The particular terms of any such Undertaking shall be set forth in the Bond Resolution.

Section 20. Refunding and Defeasance. The Bonds are hereby designated "Refundable Bonds" for purposes of Ordinance 121938. The City may issue 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, premium, if any, and interest on the Bonds, or portion thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund or defease the 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 such 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 Net Revenue and the funds and accounts pledged to the payment of such 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 registered 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 then 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 or defeasance plan provides that the defeased Bonds or the refunding bonds to be issued be secured by money and/or Government Obligations pending the prior redemption of the defeased Bonds and if such refunding or defeasance plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior redemption of the defeased Bonds included in the refunding or defeasance 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 issuance of Future Parity Bonds, and the annual computation of the Coverage Requirement for determining compliance with the rate covenants.

Section 21. Sale of Bonds. The Director of Finance may provide for the sale of each 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 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

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

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 its nominee) as the sole and exclusive Registered Owner of the Bonds registered in its name for the purposes of payment of the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Registered Owners 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 participant, or any other person which is not shown on the Bond Register as being a Registered Owner of Bonds, with respect to (i) the Bonds, (ii) any records maintained by DTC or any such participant, (iii) the payment by DTC or any such direct or indirect participant of any amount in respect of the principal of, premium, if any, or interest with respect to the Bonds, (iv) any notice which is permitted or required to be given to Registered Owners of Bonds under this ordinance or the Bond Resolution, (v) the selection by DTC or any such direct or indirect participant of any person to receive payment in the event of a partial redemption of the Bonds, or (vi) any consent given or other action taken by DTC as Registered Owner of the Bonds.

For 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 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 15 calendar days in advance of such special record date to the extent practical.

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 delivered in fully immobilized form may be discontinued at any time if: (i) after notice to the City and the Bond Registrar, DTC determines to resign as Securities Depository for the Bonds; or (ii) 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 (i) 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 7. 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. If the provisions of State law at any time differ from the provisions of this Section with respect to the requirements [illegible]

of purchase, or as otherwise directed by the Director of Finance.

e. Bonds to be Canceled. All Bonds purchased or redeemed under this Section shall be canceled.

Section 10. Notice of Redemption. The City shall cause notice of any intended redemption of Bonds to be given not less than 30 nor more than 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 the Rating Agencies, at their offices in New York, New York, or their successors, to any provider of Qualified Insurance or Alternate Security 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 none of these additional mailings shall be a condition precedent to the redemption of Bonds.

Section 11. 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 Account 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 12. 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 of the City 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 [illegible] seal 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, Drainage and Wastewater 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 13. Bond Registrar; Appointment of Other Agents. 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 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 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 [illegible]

and binds itself to set aside and pay into the Parity Bond Account from the Drainage and Wastewater Fund out of the Net Revenue certain fixed amounts without regard to any fixed proportion, namely:

i. Into the Principal and Interest Subaccount, on or before each interest or principal and interest payment date, money which, together with the money already deposited in that account, is sufficient to pay the interest or principal and interest (as the case may be) due that date (including any mandatory redemption, mandatory sinking fund or optional redemption payments) on the Parity Bonds; and

ii. Into the Reserve Subaccount an amount necessary to provide for the Reserve Requirement for the Parity Bonds within the time and in the manner required by this ordinance. The amount necessary to satisfy the Reserve Requirement upon the issuance of the Bonds may be funded (i) on the date of issue of the Bonds, by a deposit from the proceeds of the Bonds or by an Alternate Security or (ii) in annual installments from Net Revenue so that the Reserve Requirement is fully funded by the fifth anniversary of the date of issue of the Bonds. The manner of funding the Reserve Requirement for the Bonds shall be specified in the Bond Resolution.

Upon the redemption or defeasance of all then outstanding 1995 Bonds, the City shall pay into the Parity Bond Account all ULID Assessments on their collection.

d. **Reserve Subaccount.** The City covenants and agrees that it will at all times maintain in the Reserve Subaccount an amount equal to the Reserve Requirement for all Parity Bonds, except for withdrawals therefrom as authorized herein, until there is a sufficient amount in the Principal and Interest Subaccount and Reserve Subaccount to pay the principal of and interest on all outstanding Parity Bonds, at which time the money in the Reserve Subaccount may be used to pay any such principal and interest so long as the money remaining on deposit in the Reserve Subaccount is no less than the Reserve Requirement of the remaining outstanding Parity Bonds.

If there shall be a deficiency in the Principal and Interest Subaccount to meet maturing installments of either principal of or interest on any of the Parity Bonds, such deficiency shall be made up from the Reserve Subaccount by the withdrawal of cash therefrom. Any deficiency created in the Reserve Subaccount by reason of any such withdrawal will then be made up from the Net Revenue of the Drainage and Wastewater System which shall be first available after making necessary provisions for the required payments into the Principal and Interest Subaccount.

e. **Investment of Money in Parity Bond Account.** All money in the Parity Bond Account may be kept in cash or invested in Permitted Investments maturing not later than the date when needed (for investments in the Principal and Interest Subaccount) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall any money in the Parity Bond Account or any other money reasonably expected to be used to pay principal and/or interest on the Parity Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code. Income from investments in the Principal and Interest Subaccount shall be deposited in that subaccount. Income from investments in the Reserve Subaccount shall be deposited in that subaccount until the amount therein is equal to the Reserve Requirement for all Parity Bonds, and thereafter shall be deposited in the Principal and Interest Subaccount.

The City may create sinking fund subaccounts or other subaccounts in the Parity Bond Account for the payment or securing the payment of Parity Bonds as long as the maintenance of such subaccounts does not conflict with the rights of the owners of Parity Bonds.

Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond Account, any earnings which are subject to a federal tax or rebate requirement may be withdrawn from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no longer required for such rebate, money in that separate fund or account shall be returned to the Parity Bond Account.

f. **Failure to Deposit Money in Parity Bond Account.** If the City fails to set aside and pay into the Parity Bond Account, including the Reserve Subaccount, the amounts set forth above, the Registered Owner of any of the outstanding Parity Bonds may bring action against the City and compel such setting aside and payment. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, a Registered Owner of Parity Bonds may bring an action against the City for failure to make the required deposits to the Parity Bond Account only in accordance with Section 27.*

g. **Provision for Maintenance and Operation Expense.** It is declared that in creating the Parity Bond Account and in fixing the amounts to be paid into it as provided in subsections (c) and (d) of this Section, the City Council has had due regard for Operating and Maintenance Expense (and cost of maintenance and operation as contemplated by RCW 35.67.130), and is not setting aside into the Parity Bond Account a greater amount than in the judgment of the City Council, based on the rates to be established from time to time consistent with Section 16(a), will be available over and above such Operating and Maintenance Expense (and such cost of maintenance and operation).

[illegible]

gate depreciated cost value of the property being encumbered or disposed of under this subparagraph (ii) in any fiscal year comprises no more than 5% of the total assets of the Drainage and Wastewater System; or

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

d. **Books and Records.** It will, while any of the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Drainage and Wastewater System, and it will furnish the Registered Owner(s) of the Bonds or any subsequent Registered Owner(s) thereof, at the written request of such Registered Owner(s), complete operating and income statements of the Drainage and Wastewater System in reasonable detail covering any fiscal year not more than six months after the close of such fiscal year and it will grant any Registered Owner(s) of at least 25% of the outstanding Bonds the right at all reasonable times to inspect the entire Drainage and Wastewater System and all records, accounts and data of the City relating thereto. Upon request of any Registered Owner of any of the Bonds, it also will furnish to such Registered Owner a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

e. **Operating and Maintenance Expense.** It will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City as herein set forth.

Section 17. 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 the 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.

Section 18. Future Parity Bond Conditions. The City further covenants with the owner of each of the Bonds for as long as any of the Bonds are outstanding that it will not create any special account or fund or accounts or funds for the payment of the principal of and interest on any other revenue obligations or issue any other revenue obligations which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Net Revenue of the Drainage and Wastewater System nor will it issue Future Parity Bonds, except that it reserves the right for:

First, the purpose of acquiring, constructing and installing additions to, and betterments and improvements and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to the Drainage and Wastewater System pursuant to an adopted system or plan of additions thereto and betterments and improvements thereof, or

Second, the purpose of refunding by exchange or purchasing and retiring or advance refunding by call and payment at or prior to their maturity any part or all of the outstanding Parity Bonds, or

Third, other purposes then permitted by law,

to issue Future Parity Bonds therefor, and to make payments into the Parity Bond Account from the Net Revenue sufficient to pay the principal of and interest on such Future Parity Bonds and to maintain a reserve therefor hereinafter required, which payments may rank equally with the payments out of the Net Revenue required to be made into the Parity Bond Account by this ordinance, if the following conditions and requirements are met and complied with at the time of the issuance of such Future [illegible]

which revenue was not included in the historical Gross Revenue, and may include an estimate of the Gross Revenue to be derived by the City from customers with improved property available to connect to any additions to and improvements and extensions of the Drainage and Wastewater System to be paid for out of the proceeds of the sale of the additional Future Parity Bonds or other additions to and improvements and extensions of the Drainage and Wastewater System then under construction and not fully connected to the facilities of the Drainage and Wastewater System when such additions, improvements and extensions are completed.

Actual or reasonably anticipated changes in the Operating and Maintenance Expense subsequent to such 12 month period shall be added or deducted, as is applicable. The use of money other than Gross Revenue for the payment of Operating and Maintenance Expense shall not exceed per year an amount used for that purpose during the 12 months immediately preceding the date of issuance of the Future Parity Bonds.

Nothing contained in the provisions for Future Parity Bonds shall prevent the City from issuing revenue bonds or other obligations having a lien on the Gross Revenue subordinate to the lien of the Bonds and any Future Parity Bonds.

Upon the redemption or defeasance of all then outstanding 1995 Bonds, all references to "Net Revenue" in this subsection (d) shall be changed to "Adjusted Net Revenue."

Upon the redemption or defeasance of all then outstanding 1995 Bonds, as an alternative to the certificate required under this subsection (d), the City, at its option, may provide a certificate of the Director of Finance or the Director of Seattle Public Utilities demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Adjusted Net Revenue was at least equal to the Coverage Requirement for all Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt service of the proposed Future Parity Bonds for that 12 month period was the Average Annual Debt Service for those proposed bonds).

Upon the redemption or defeasance of all then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, this subsection (d) shall be replaced in its entirety with the following:

(d) There shall be on file with the City either

(1) a certificate of the Director of Finance demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Adjusted Net Revenue was at least equal to the Coverage Requirement for all Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt service of the proposed Future Parity Bonds for that 12 month period was the Average Annual Debt Service for those proposed bonds), or

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

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

(ii) Net revenue from customers of the Drainage and Wastewater System who have become customers during the 12 consecutive month period or thereafter, and their estimate of net revenue from any customers to be connected to the Drainage and Wastewater System who have paid the required connection charges, adjusted to reflect one year's net revenue from those customers;

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

(iv) Net revenue from any person, firm, corporation or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue of the Drainage and Wastewater System.

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

Nothing contained herein shall prevent the City from issuing Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not otherwise available, or revenue bonds that are a charge or lien upon the Gross Revenue subordinate to [illegible]

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 will be printed on the Bonds if requested by the purchasers, 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, the opinion also being printed on each Bond unless the Bond is typed or photocopied.

Section 22. Supplemental or Amendatory Ordinances.

a. This ordinance shall not be supplemented or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this Section.

b. The City may from time to time and at any time, without the consent of or notice to the Registered Owners of the Parity Bonds, pass supplemental or amendatory ordinances for the following purposes:

1. To cure any formal defect, omission, inconsistency or ambiguity in this ordinance in a manner not adverse to the owner of any Parity Bonds.

2. To impose upon the Bond Registrar (with its consent) for the benefit of the owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this ordinance as theretofore in effect.

3. To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this ordinance as theretofore in effect.

4. To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this ordinance of any other money, securities or funds.

5. To comply with any future federal law or interpretation to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

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

7. To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the owners of the Parity Bonds and which does not involve a change described in subsection (c) of this Section.

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

c. (1) Except for any supplemental or amendatory ordinance passed pursuant to subsection (b) of this Section, subject to the terms and provisions contained in this subsection (c) and not otherwise, Registered Owners of not less than 60% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve the passage by the City Council of any supplemental or amendatory ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance; except that, unless approved in writing by the Registered Owners of all Parity Bonds then outstanding, nothing contained in this Section shall permit, or be construed as permitting:

i. A change in the times, amounts or currency of payment of the principal of or interest on any outstanding Parity Bond, or a reduction in the principal amount or redemption price of any outstanding Parity Bond or a change in the method of [illegible]

of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expend the separate utility system. Neither the Gross Revenue nor the Net Revenue of the Drainage and Wastewater System shall be pledged by the City to the payment of any obligations of a separate utility system except (1) as a Contract Resource Obligation upon compliance with Section 25 and/or (2), with respect to the Net Revenue, on a basis subordinate to the lien of the Parity Bonds on that Net Revenue.

Section 25. Contract Resource Obligations. *Upon the maturity, redemption or defeasance of all the 1995 Bonds, the City may at any time enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of drainage and wastewater or other commodity or service relating to the Drainage and Wastewater System. The City may determine that, and may agree under a Contract Resource Obligation to provide that, all payments under that Contract Resource Obligation (including payments prior to the time that drainage and wastewater or other commodity or service is being provided, or during a suspension or after termination of supply or service) shall be an Operating and Maintenance Expense if the following requirements are met at the time such a Contract Resource Obligation is entered into:*

(a) No Event of Default as defined in Section 27 has occurred and is continuing.

(b) There shall be on file a certificate of an Independent Consulting Engineer stating that (i) the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the commodity or service rendered; (ii) any facilities to be constructed to provide the commodity or service [illegible] *from a planning standpoint, are technically and economically feasible in accordance with prudent utility practice and are likely to provide supply or transmission no later than a date set forth in the Independent Consulting Engineer's certification; and (iii) the Adjusted Net Revenue* [illegible] *Consulting Engineer's estimate of the payments to be made in accordance with the Contract Resource Obligation* [illegible] *fiscal years* [illegible] *Contract Resource Obligation* [illegible] *as such Adjusted Net Revenue* [illegible] *by the Independent Consulting Engineer in accordance with the provisions* [illegible] *Section 18(d)* [illegible] *least equal to the Coverage Requirement.*

Payments required to be made under Contract Resource Obligations shall not be subject to acceleration.

Nothing in this Section shall be deemed to prevent the City from entering into other agreements for the acquisition of drainage and wastewater services or other commodity or service from existing facilities and from treating those payments as Operating and Maintenance Expenses. Nothing in this Section shall be deemed to prevent the City from entering into other agreements for the acquisition of drainage and wastewater services or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Net Revenue subordinate to the Parity Bonds.

Section 26. Rate Stabilization Account. The Rate Stabilization Account has been created as a separate account in the Drainage and Wastewater Fund. Upon the redemption or defeasance of all the 1995 Bonds, the City may at any time, as determined by the City and as consistent with Section 16(a), deposit in the Rate Stabilization Account Gross Revenue and any other money received by the Drainage and Wastewater System and available to be used therefor. The City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in the Adjusted Gross Revenue for any fiscal year of the Drainage and Wastewater System. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Adjusted Gross Revenue.

No deposit of Gross Revenue shall be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

Section 27. Defaults and Remedies.

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

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

2. If the City defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the City set forth in this ordinance or in any Parity Bond Ordinance (except as otherwise provided herein or in such Parity Bond Ordinance) and such default or defaults have continued for a period of six months after they have received from the Bondowners' Trustee (as defined below) or from the Registered Owners of not less than 25% in principal amount of the Parity Bonds, a written notice specifying and demanding the cure of such default. However, if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completely remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the City has taken active steps within the six months [illegible]

[illegible] and [illegible] or 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. If the provisions of State law at any time differ from the provisions of this Section with respect to the requirements or procedures for replacing or otherwise handling mutilated, lost, stolen or destroyed Bonds, then the provisions of State law shall prevail.

Section 8. 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 address appearing on the Bond Register on the 15th day of the month preceding the interest payment date for other record date established by the Bond Resolution (the "Record Date") or at the [illegible] 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 to the Bond Registrar. 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 Account. The Bonds shall not be general obligations of the City.

Section 9. Redemption and 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 purchased under the optional redemption provisions set forth in the Bond Resolution or purchased 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, purchases or defeases Term Bonds, the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase price) shall be credited at the par amount thereof against one or more scheduled mandatory redemption amounts for those Term Bonds. The Director of Finance shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of such allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given. If such determination is made, such allocation shall be on a pro rata basis.

c. **Partial Redemption.** Whenever less than all of the Bonds of a single series and maturity are to be redeemed, the Bond Registrar shall select the Bonds or portions thereof to be redeemed from the Bonds of that series and 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 for 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. **Purchase.** The City reserves the right and option to purchase any or all of the Bonds at any time at any price acceptable to the City plus accrued interest to the date of purchase. The principal amount of Term Bonds purchased pursuant to this Section shall be credited at the par amount thereof against the next mandatory redemption requirement that is at least 60 days after the date [illegible] 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 date on the Bonds, or, to the extent practicable, shall be mailed not less than 15 days prior to a maturity date of the principal of any Bond.

The Bond Registrar shall be responsible for the preventation, as 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 14. Finding of Sufficiency of Revenues. A series of Bonds will be issued only if the City finds and determines in the Bond Resolution that on the date of sale of the Bonds is in the best interest of the Gross Revenues, at the interest established from time to time consistent with Section 16(a), will be sufficient, in the judgment of the City, to meet all expenses of operation and maintenance of the Drainage and Wastewater System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of the Gross Revenue (including Outstanding Parity Bonds) and pledged herein for the payment of the Bonds. In making such findings and determinations, the City shall have had due regard to the cost of operation and maintenance of the Drainage and Wastewater System and to the revenues of the Gross Revenues pledged for the payment of any bonds, warrants or other indebtedness.

Section 15. Security for Parity Bonds; Flow of Funds.

a. **Pledge; Lien and Charge of Parity Bonds.** The Net Revenue is pledged for the payment of the Parity Bonds. This pledge shall constitute a lien and charge upon such Net Revenue prior and superior to any other liens and charges whatsoever. *Upon the redemption or defeasance of all outstanding 1995 Bonds, all ULID Assessments shall be pledged to the payment of the Parity Bonds.*

b. **Priority Expenditure of Gross Revenue.** So long as any Parity Bonds are outstanding, all Gross Revenue, except for earnings on investments in the Parity Bond Account or other bond redemption fund, arbitrage rebate account, refunding escrow account or other trust account, unless those earnings are transferred from those accounts or funds to the Drainage and Wastewater Fund, shall be deposited as received in the Drainage and Wastewater Fund and shall be used, paid and distributed in the following order of priority (by paragraphs):

i. To pay, together with any other money made available for such purpose, the Operating and Maintenance Expense.

ii. To make the required payments into the Principal and Interest Subaccount for all Parity Bonds.

iii. To make the required payments into the Reserve Subaccount for all Parity Bonds.

iv. To make all required payments into any revenue bond redemption fund created to pay and secure the payment of the principal and interest on any revenue bonds or short term obligations ranking a lien and charge upon the Net Revenue of the Drainage and Wastewater System subordinate to the lien thereon for the payment of the principal of and interest on Parity Bonds, and

v. To redeem and retire any sewer revenue bonds of the City then outstanding or to purchase any or all of those bonds at a price not in excess of the price at which those bonds could be redeemed at the next call date, to make necessary additions, betterments, repairs, extensions and replacements of the Drainage and Wastewater System or other purposes proper to its maintenance and operation, including the payment of any City taxes or payments in lieu of taxes payable from Gross Revenue of the Drainage and Wastewater System, or for any other lawful Drainage and Wastewater purpose, *including, upon the redemption or defeasance of all then outstanding 1995 Bonds, to make deposits to the Rate Stabilization Account.*

The City may transfer from any funds or accounts of the City lawfully available therefor, except bond redemption funds, any money therein to meet the required payments to be made into the Parity Bond Account.

c. **Parity Bond Account; Deposit of Net Revenue.** The Parity Bond Account has been created in the Drainage and Wastewater Fund as a special fund of the City, which account is divided into two subaccounts, a Principal and Interest Subaccount and a Reserve Subaccount. So long as any Parity Bonds are outstanding against the Parity Bond Account, the City obligates [illegible] *for failure to make the required deposits to the Parity Bond Account only in accordance with Section 27.*

g. **Provision for Maintenance and Operation Expense.** It is declared that in creating the Parity Bond Account and in fixing the amounts to be paid into it as provided in the paragraphs (c) and (d) of this Section, the City Council has had due regard for Operating and Maintenance Expense (and rent of maintenance and operation as contemplated by RCW 35.67.190), and is not setting aside into the Parity Bond Account a greater amount than in the judgment of the City Council, based on the rates to be established from time to time consistent with Section 16(a), will be available over and above such Operating and Maintenance Expense (and such cost of maintenance and operation).

Section 16. Parity Bond Covenants. The City covenants and agrees with the owner of each of the Parity Bonds as follows:

a. **Rates and Charges; Coverage Requirement.** It will establish, maintain, revise as necessary and collect such rates and charges for drainage and wastewater service furnished which will produce Net Revenue *for upon the redemption or defeasance of all then outstanding 1995 Bonds, Adjusted Net Revenue* available for debt service each calendar year at least equal to the Coverage Requirement. It will not change any rate or charge for drainage and wastewater service as now established by the existing rate ordinance or ordinances of the City that will substantially reduce the annual Gross Revenue of the Drainage and Wastewater System below that which would have been obtained before such change unless the City shall have on file a certificate from an Independent Consulting Engineer or a certified public accountant experienced in drainage and wastewater system rates and charges showing the rates and charges as so changed will provide Gross Revenue of the Drainage and Wastewater System sufficient to comply with all the covenants and requirements of this ordinance including the Coverage Requirement.

Upon the redemption or defeasance of all then outstanding 1995 Bonds, 1995 Bonds, 1998 Bonds [illegible] Bonds, 2001 Bonds and 2004 Bonds, this paragraph (a) shall be replaced in [illegible] sets with the following:

a. Rates and Charges; Coverage Requirement. It will establish, maintain, revise as necessary and collect such rates and charges for services and facilities provided by the Drainage and Wastewater System so that Adjusted Net Revenue in each fiscal year will be at least equal to the Coverage Requirement. The failure of the City to comply with this paragraph (a) shall not be an Event of Default under this ordinance if the City promptly retains an Independent Consulting Engineer to recommend to the City Council adjustments to the rates of the Drainage and Wastewater System necessary to meet the requirements of this paragraph (a) and the City Council adopts the recommended modifications within 180 days of the date the failure became known to the City Council.

b. **Maintenance of Drainage and Wastewater System.** It will at all times maintain and keep the Drainage and Wastewater System in good repair, working order and condition including, from time to time making or causing to be made all necessary and proper repairs, renewals and replacements so that at all times the operation of such system shall be properly and advantageously conducted, and will at all times operate the Drainage and Wastewater System and the business in connection therewith in an efficient manner and at a reasonable cost.

c. **Sale of Drainage and Wastewater System.** It will not sell, lease, mortgage, or in any manner encumber or dispose of all of the property of the Drainage and Wastewater System unless provision is made for the payment into the Parity Bond Account of an amount sufficient to pay the principal of and interest on Parity Bonds then outstanding, and it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Drainage and Wastewater System that is used, useful and material to the operation thereof, except consistent with one or more of the following:

i. if provision is made for replacement thereof, or for payment into the Parity Bond Account of the total amount of Gross Revenue received from the portion of the Drainage and Wastewater System sold, leased, mortgaged, encumbered or disposed of which shall not be less than an amount which shall bear the same ratio to the amount of Parity Bonds then outstanding as the Gross Revenue available for debt service for such outstanding bonds for the 12 months preceding such sale, lease, mortgage, encumbrance or disposal from the portion of the Drainage and Wastewater System sold, leased, mortgaged, encumbered or disposed of bears to the Gross Revenue available for debt service for the then outstanding Parity Bonds from the entire Drainage and Wastewater System of the City for the same period. Any such money so paid into the Parity Bond Account shall be used to retire such Parity Bonds at the earliest possible date; or

ii. *upon the redemption or defeasance of all then outstanding 1995 Bonds, if the aggregate [illegible] Owners of not less than 50% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve the passage by the City Council of any supplemental or amendatory ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance; except that, unless approved in writing by the Registered Owners of all Parity Bonds then outstanding, nothing contained in this Section shall permit, or be construed as permitting:*

i. a change in the times, amounts or currency of payment of the principal of or interest on any outstanding Parity Bond, or a reduction in the principal amount or redemption price of any outstanding Parity Bond or a change in the method of determining the rate of interest thereon, or

ii. A preference or priority of any Parity Bond or Bonds over any other Parity Bond or Bonds, or

iii. A reduction in the aggregate principal amount of Parity Bonds, the consent of which is required for any such supplemental or amendatory ordinance.

2. If at any time the City shall pass any supplemental or amendatory ordinance for any of the purposes of this subsection (a), the Bond Registrar shall cause notice of the proposed supplemental or amendatory ordinance to be given by first class United States Mail to all Registered Owners of the then outstanding Parity Bonds. To any Bond Insurer and to the Rating Agencies. Such notice shall briefly set forth the nature of the proposed supplemental or amendatory ordinance and shall state that a copy thereof is on file in the office of the Bond Registrar for inspection by all Registered Owners of the outstanding Parity Bonds.

3. Within two years after the date of the mailing of such notice, the City may pass such supplemental or amendatory ordinance in substantially the form described in such notice, but only if there shall have first been delivered to the Bond Registrar (i) the required consents in writing of the Registered Owners of the Parity Bonds and (ii) an opinion of Bond Counsel stating that such supplemental or amendatory ordinance is authorized or permitted by this ordinance and upon the execution and delivery thereof, it will be valid and binding upon the City in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

If Registered Owners of not less than the percentage of Parity Bonds required by this subsection (a) shall have consented to and approved the execution and delivery thereof as herein provided, no owner of the Parity Bonds shall have any right to object to the passage of such supplemental or amendatory ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City or the Bond Registrar from taking any action or from taking any action pursuant to the provisions thereof.

d. Upon the execution and delivery of any supplemental or amendatory ordinance pursuant to the provisions of this Section, this ordinance shall be, and is deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all Registered Owners of Bonds then outstanding shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such modifications and amendments.

Section 23. Construction Account; Deposit of Proceeds. An account to be known as the Drainage and Wastewater Construction Account, 2006 (the "Construction Account") is created in the Drainage and Wastewater Fund. The principal proceeds of the sale of the Bonds remaining after the deposit of accrued interest on the Bonds, if any, into the Principal and Interest Subaccount and the deposit of any proceeds as determined by the Bond Resolution into the Reserve Subaccount, shall be deposited into the Construction Account. Except otherwise specified in the Bond Resolution or directed by the Director of Finance, to be used for the purpose of paying a part of the cost of carrying out the Plan, debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not provided for by the refunding plan, shall be included in the computation of the Coverage Requirement for issuance of Future Parity Bonds, and the annual computation of the Coverage Requirement for determining compliance with the rate covenant.

Section 21. Sale of Bonds. The Director of Finance may provide for the sale of each 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 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 [illegible] *Revenue and may be pledged to the payment* [illegible] *Revenue as not included in the Historical Net Revenue of the Drainage and Wastewater System.*

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

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

e. Upon the redemption or defeasance of all then outstanding 1995 Bonds, the Parity Bond Ordinance authorizing the Future Parity Bonds shall provide that all ULID Assessments shall be paid directly into the Parity Bond Account.

Section 19. Continuing Disclosure. The City shall undertake to provide for the benefit of holders of the Bonds the disclosure of certain financial information and operating data of the type included in the final official statement 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(b)(5). The particular terms of any such Undertaking shall be set forth in the Bond Resolution.

Section 20. Refunding and Defeasance. The Bonds are hereby designated "Refundable Bonds" for purposes of Ordinance 121918. The City may issue refunding bonds pursuant to the laws of State and use the money available from any other lawful source to pay when due the principal of, premium if any, and interest on the Bonds or portion thereof included in a refunding or defeasance plan, and to redeem and retire, release, refund or defease the Bonds (the "defeased Bonds") in accordance with the terms of such refunding or defeasance plan. If sufficient money and/or Government Obligations, maturing in amount, together with known earned income from the investment thereof, to accomplish such refunding or defease, or defease the defeased Bonds in accordance with the terms are set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement or defeasance (the "trust account"), then all right and interest of the owners of the defeased Bonds in the Revenue and the funds pledged to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, therefor 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 of a maturity if 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 for payments from time to time of the principal of and interest on the defeased Bonds and for any required replacement of Bond certificates for defeased Bonds.

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

If the refunding or defeasance plan provides that the defeased Bonds or the refunding bonds to be issued be secured by money and/or Government Obligations pending the prior redemption of the defeased Bonds and if such refunding or defease plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior redemption of the defeased Bonds included in the refunding or defeasance plan, then debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not provided for by the refunding plan, shall be included in the computation of the Coverage Requirement for issuance of Future Parity Bonds, and the annual computation of the Coverage Requirement for determining compliance with the rate covenant.

Section 22. Separate Utility Systems. *Upon the maturity, redemption or defeasance of all the 1995 Bonds, the City may create, acquire, construct, finance, own and operate one or more additional systems for drainage and wastewater or other commodity or service relating to the Drainage and Wastewater System. The revenue of that separate utility system shall not be included in the Gross Revenue and may be pledged to the payment* [illegible]

2. If the City defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the City set forth in this ordinance or in any Parity Bond Ordinance (except as otherwise provided herein or in such Parity Bond Ordinance) and such default or defaults have continued for a period of six months after there have received from the Bondowners Trustee (as defin. 4 below) or from the Registered Owners of not less than 25% in principal amount of the Parity Bonds a written notice specifying and demanding the cure of such default. However if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completely remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the City has taken active steps within the six months after written notice has been given to remedy the default and is diligently pursuing such remedy.

b. **Bondowners' Trustee.** So long as such Event of Default has not been remedied, a bondowners trustee (the "Bondowners Trustee") may be appointed by the Registered Owners of 25% in principal amount of the Parity Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the Parity Bonds or by their attorneys in fact duly authorized and delivered to such Bondowners Trustee, notice thereof and being given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bondowners Trustee. The Bondowners Trustee appointed under the provisions of this Section shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The bank or trust company acting as Bondowners Trustee may be removed at any time and a successor Bondowners Trustee may be appointed by the Registered Owners of a majority in principal amount of the Parity Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the Bonds or by their attorneys in fact duly authorized. The Bondowners Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

In the event that an Event of Default in the sole judgment of the Bondowners Trustee is cured and the Bondowners Trustee finds that the Event of Default is not cured, then the Bondowners Trustee shall rescind its notice of an Event of Default, shall be considered cured for purposes of the Parity Bond Ordinance, Trust Agreement and the Registered Owners of the Parity Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

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

c. **Suits at Law or in Equity.** Upon the happening of an Event of Default and during the continuance thereof, the Bondowners Trustee may, and upon the written request of the Registered Owners of not less than 25% in principal amount of the Parity Bonds outstanding shall take such steps and exercise such remedies, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the Registered Owners of the Parity Bonds to collect any amounts due and owing from the City or to obtain orders for appropriate relief and may enforce the specific performance of any covenant, agreement or condition contained in this ordinance or in any of the Parity Bonds.

Nothing contained in this Section, shall in any event or under any circumstance be deemed to authorize the acceleration of principal of the Parity Bonds and the remedy of acceleration of principal shall be the Registered Owners of the Parity Bonds under any circumstances including without limitation upon the occurrence an [illegible] an Event of Default.

Any action, suit or other proceeding instituted by the Bondowners Trustee hereunder shall be brought in its name as Bondowners Trustee and all such rights [illegible] upon or under any of the Parity Bonds or the provisions of this ordinance shall be exercised by the Bondowners Trustee without the possession of any of those Parity Bonds and with the production of the same at any trial or proceedings relative thereto, except as otherwise required by law. Any such suit, action or proceeding instituted by the Bondowners Trustee shall be brought for the ratable benefit of all of the Registered Owners of the Parity Bonds, subject to the provisions of this ordinance. The respective Registered Owners of the Parity Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners Trustee the true and lawful trustee of the respective Registered Owners of those Parity Bonds, with authority to institute any such action, suit or proceeding, to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds to execute any paper or document for the receipt of money, and to do all acts with respect thereto that the Registered owner himself or herself might have done in person. Nothing herein

covenants, conditions or agreements on the part of the City contained in any Parity Bond Authorizing Ordinance and such default or defaults have continued for a period of six months after the City has received from the Bond Owners' Trustee (as defined below) or from the Registered Owners of not less than 25% in principal amount of the Parity Bonds a written notice specifying and demanding the cure of such default. However, if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completed or remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the City has taken active steps within the six months after written notice has been given to remedy the default and is diligently pursuing such remedy, or

3. If the City files a petition in bankruptcy or is placed in receivership under one state or federal bankruptcy or insolvency law.

b. Bond Owners' Trustee So long as such Event of Default has not been remedied, a trustee (the "Bond Owners' Trustee") may be appointed by the Registered Owners of 25% in principal amount of the Parity Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bond Owners' Trustee, notification thereof being given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee appointed under the provisions of this subsection (b) shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The bank or trust company acting as Bond Owners' Trustee may be removed at any time and a successor Bond Owners' Trustee may be appointed by the Registered Owners of a majority in principal amount of the Parity Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners or their attorneys in fact duly authorized. The Bond Owners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

In the event that any Event of Default as the same is defined of the Bond Owners' Trustee is cured and the Bond Owners' Trustee furnishes to the City a certificate so stating that Event of Default shall be conclusively deemed to be cured and the City, the Bond Owners' Trustee and the Registered Owners of the Parity Bonds shall be restored to the same rights and position which they could have held if no Event of Default had occurred.

The Bond Owners' Trustee appointed in the manner herein provided, and each successor thereto, is deemed to be a trustee for the Registered Owners of all the Parity Bonds and is empowered to exercise all the rights and powers herein conferred on the Bond Owners' Trustee.

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

Nothing contained in this Section shall in any event or under any circumstance be deemed to authorize the acceleration of maturity of principal of the Parity Bonds, and the remedies or acceleration expressly denied to the Registered Owners of the Parity Bonds under any circumstances including, without limitation upon the occurrence and continuance of an Event of Default.

Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder shall be brought in its name as trustee for the Bond owners and all such rights of action upon or under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bond Owners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or other proceedings relative thereto except where otherwise required by law. Any such suit, action or proceeding instituted by the Bond Owners' Trustee shall be brought for the ratable benefit of all of the Registered Owners of those Parity Bonds, subject to the provisions of this ordinance. The respective Registered Owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true and lawful trustee of the respective Registered Owners of those Parity Bonds, with authority to institute any such action, suit or proceeding, to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds, to execute any paper or documents for the receipt of money, and to do all acts with respect thereto that the Registered Owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of any Registered Owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any owner thereof, or to authorize or empower the Bond Owners' Trustee [illegible]

(iv) the Registered Owners of 25% in principal amount of the Parity Bonds, after the occurrence of such Event of Default, has made written request of the Bond Owners' Trustee and have afforded the Bond Owners' Trustee a reasonable opportunity to institute such suit, action or proceeding;

(v) there have been offered to the Bond Owners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and

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

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

g. Failure To Comply With Undertaking Notwithstanding anything in this Section to the contrary, the failure of the City or any obligated person to comply with the Undertaking stated by the Bond Resolution pursuant to Section 25 shall not constitute an Event of Default hereunder, and the sole remedy of any holder of a Bond shall be to seek an order of specific performance from an appropriate court to compel the City to comply with the Undertaking.

Section 29. Sale of Bonds. The Director of Finance may provide for the sale of each series of Bonds or any portion of the Bonds authorized hereunder 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 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 terms, requirements and criteria for determining the award of the bid, to provide for the use of an electronic bidding mechanism, to prepare and use other matters in his or her determination necessary, appropriate or desirable to carry out the sale of the Bonds (hereinafter 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 purchaser 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 place or place upon which the Director of Finance and the purchaser may mutually agree at the purchaser's expense.

CUSIP numbers will be printed on the Bonds, if requested by the purchaser, 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 purchaser 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 purchaser.

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

Section 30. General Authorization The Mayor and the Director of Finance of the City and each of the other appropriate officers of the City are each authorized and directed to do every act and thing as the 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 or her discretion and without further action by the City Council, (i) 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, (ii) deem final and approve the distribution of any preliminary official statement or official statement relating to the Bonds, (iii) comply with any continuing disclosure requirements applicable to the Bonds and exchange the Bond Registrar or any securities depository appointed for the Bonds.

Section 31. 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 applicable periods having run, finds any provision of this ordinance to be unlawful or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to bring 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 parties, the 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 32. Ratification of Prior Acts. Any action taken consistent with the authority of this ordinance, after its passage but prior to the effective date, is ratified, approved and confirmed.

Section 33. Section Headings. The Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

Section 34. Effective Date. This ordinance shall take effect and be in force 30 days after [illegible]

the increase have been considered by City Council; and

WHEREAS, based upon information provided by the University District Ratepayers Advisory Group and comments received during the public hearing, the City Council believes it is in the best interests both of the PBIA and the City to adjust the rate structure to maintain appropriate levels of service; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 3 of Ordinance 118412, as amended by Ordinance 120304, is hereby further amended as follows:

Section 3. Levy of Special Assessments. To finance the programs authorized in Section 2, there is levied upon and shall be collected from the business and property owners in the University District Parking and Business Improvement Area described in Section 1 an annual special assessment, measured by the type of use and rate of assessment in the following table, subject to the calculations and limitations in Sections 4 and 5

Annual Assessment Formula

Category	Rate of Assessment
I. Retail/commercial uses	
Ground Floor	($8.00) $.114 sq. ft.
Upper Floor	($6.00) $.057 sq. ft.
Below Ground Floor	($6.00) $.057 sq. ft.
II Commercial Parking	($6.00) $5.74 /space
III Hotels Motels	Full Service Hotels ($40.00) $14.44 / room
IV Apartments	($6.00) $5.72 / unit
V Property Owners	($6.00) $.057 sq. ft.

Section 2. Section 4 of Ordinance 118412 is hereby amended as follows:

Section 4. Calculation of and limitations upon assessments

* * *

(c) A minimum assessment of ($100) $110.00 (One Hundred and One Dollars) will be applied to each business or organization and property within the BIA boundaries.

(d) The total assessment upon any single business site within the BIA shall not initially exceed ($10,000) $11,000 (Ten Thousand and Eleven Thousand Dollars) annually.

Section 3. Section 14 of Ordinance 118412 is hereby amended as follows:

Section 14. Rate Changes Any change in the assessment rate shall only be made by ordinance and as authorized in RCW 35.87A.130. No increase shall occur in the assessment rate unless recommended by the Ratepayers Advisory Board.

To prevent reduction in services due to inflation in prices the City may from time to time, upon recommendation of the Ratepayers Advisory Board and by ordinance, increase reduce assessment rates, to reflect changes in the purchasing power of money. Any increase in the assessment formula shall be based on the increase, if any, of the Consumer Price Index (CPI) for the metropolitan Seattle area, provided, however, that the increase shall not exceed five percent (5%) in any calendar year. The percentage of increase in the assessment formula shall be computed as follows:

(Ending CPI - Beginning CPI) X 100 =

(Beginning CPI) Percentage of Increase

Rates after the percentage increase shall be rounded to the nearest one-hundred (.01) cent as to square footage rates in Categories I, II, III, and IV (a), and rounded up to Category V.

Section 4. The assessment rates provided for in Section 1 shall take effect on January 1, 2007.

Section 5. 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 5th day of September, 2006, and signed by me in open session in authentication of its passage this 5th day of September, 2006.

Nick Licata

President of the City Council

Approved by me this 8th day of September, 2006.

Gregory J. Nickels, Mayor

Filed by me this 11th day of September, 2006.

(Seal) Judith Pippin

City Clerk

Publication ordered by JUDITH PIPPIN, City Clerk

Date of publication in the Seattle Daily Journal of Commerce, September 15, 2006.

9/13(202480)

City of Seattle

ORDINANCE 122209

AN ORDINANCE [illegible] ating to financing and refinancing of the drainage and waste[illegible] from the Rate Stabilization Account made during that period, and loss deposits into the Rate Stabilization Account made during that period. *Upon the redemption or defeasance of all of the Outstanding Parity Bonds and any Parity Bonds issued under Ordinance 121938, "Adjusted Gross Revenue" shall be defined as follows: "Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals from the Rate Stabilization Account made during that period, and minus (1) ULID Assessments, (2) earnings from investments in the Reserve Subaccount and (3) deposits into the Rate Stabilization Account made during that period*

"**Adjusted Net Revenue**" means Adjusted Gross Revenue less Operating and Maintenance Expense.

"**Alternate Security**" means any insurance policy, collateral, security, letter of credit, standby bond purchase agreement, guaranty, surety bond, line of credit or similar credit enhancement device providing for or securing the payment of the principal of and interest on Parity Bonds, rating on which of which the City receives (i) the approval of any Bond Insurer, and the written confirmation from Moody's and S&P to the effect that the use of such Alternate Security will not cause a reduction in any then-existing ratings for any of the Parity Bonds;

"**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 Accrued Value of Capital Appreciation Bonds coming due at maturity shall be treated as Sinking Fund Requirements and shall be included in the calculations of accrued and capitalized interest in such manner and at such rate as shall be reasonably assumed by the City at the time of issuance of any Parity Bond Ordinance authorizing such Capital Appreciation Bonds.

For purposes of calculating and determining compliance with the Reserve Requirement with respect to any issuance of Future Parity Bonds and in entering into Parity Payment Agreements, the following shall apply

1. Generally. Except as otherwise provided by subparagraph 2 with respect to Variable Interest Rate Bonds and by subparagraph 3 with respect to Parity Bonds with respect to which a Payment Agreement is in effect, interest on any issue of Parity Bonds shall be calculated based on the actual amount of such bond or otherwise in such manner that is payable with respect to such issue as a whole at the rate or rates set forth in the applicable Parity Bond Ordinance.

2. 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 as the amount that the interest rate on such issue would be equal to the average rate of the average BBI during the 12 calendar quarters preceding the quarter in which the calculation is made.

3. 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 effect shall be based on the net amount due on the City expected to be paid and by the terms of the Parity Bonds and the terms of the Payment Agreement, including but without limitation the effects produced by the following (a) Parity Bonds that would be, for a Payment Agreement, treated as obligations bearing interest at a Variable Interest Rate, shall be treated as obligations bearing interest at a fixed interest rate, and (b) Parity Bonds that would be, for a Payment Agreement, 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 nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a Payment Agreement that includes a variable rate component, the parties to such agreement may by the pricing mechanism or index that is not the same as the pricing mechanism or index used to determine the variable rate interest component of 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 100% of the fixed rate specified by the Payment Agreement and that the pricing mechanism or index specified by the Parity Bonds. Notwithstanding the other provisions of this subparagraph 3, 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 years or less.

4. 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 [illegible] 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 mgm. agement 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 legal investment permitted for money of the City.

"**Plan of Additions**" means the CIP, as it may be modified hereafter as described herein

"**Principal Amount**" means, at the time of calculation, (a) with respect to any Capital Appreciation Bond, the Accreted Value thereof, (b) with respect to any Deferred Interest Bond, the Accreted Value thereof unless the ordinance or Bond Resolution under which such obligation was issued shall specify a different amount, in which event the terms of the ordinance or Bond Resolution shall control

"**Principal and Interest Subaccount**" means the subaccount of that name created in the Parity Bond Account by Ordinance 113699 for the payment of the principal of and interest on Parity Bonds.

"**Qualified Counterparty**" means a party (other than the City or a person or entity directly 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 comparable recognized successors.

"**Rate Stabilization Account**" means the account of that name previously established in Section 26 of Ordinance 118974.

"**Rating Agencies**" means Moody's and S&P, and their successors and any other nationally recognized securities rating agency or agencies rating Parity Bonds at the request of the City.

"**RBI**" means *The Bond Buyer* Revenue Bond Index or comparable index, or if no comparable index can be obtained, an index of the interest rate for a timely traded 20-year United States Treasury obligations.

"**Registered Owner**" means the person shown on the Bond Register as the owner of one or more Bonds

"**Reserve Requirement**" means an amount equal to the least of the Maximum Annual Debt Service at the time of calculation, 1.25 times Average Annual Debt Service at the time of calculation or 10% of the proceeds of Parity Bonds at the time of the dates of the respective issuances of such payments therefor by the initial purchasers. The Reserve Requirement may be satisfied to the extent of the amount payable under an Alternate Security which contains a contract to provide money to pay debt service on Parity Bonds. The Reserve Requirement shall be provided by cash, Permitted Investments, Alternate Securities or any combination thereof, and shall be subject to the provisions of Section 16(d) For any issue of Parity Bonds, the Reserve Requirement must be fully funded within five years after the issuance of such Parity Bonds in accordance with Section 18.

"**Reserve Subaccount**" means the subaccount of that name created in the Parity Bond Account by Ordinance 113699 for the purpose of securing the payment of the principal of and interest on Parity Bonds.

"**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 Account to amortize the principal or make mandatory sinking fund [illegible]

"**CIP**" means the portion or portions relating to the Drainage and Wastewater System of the "2006-2011 Capital Improvement Program" of the City as adopted by the City in Ordinance 121691, together with any previously adopted Capital Improvement Program of the City, as the CIP may be amended, updated, supplemented or replaced from time to time by ordinance.

"**City**" means The City of Seattle, 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, or any successor thereto, as it has been in effect from time to time, and regulations thereunder.

"**Construction Account**" means the "Drainage and Wastewater Construction Account 2006," created in the Drainage and Wastewater Fund by this ordinance

"**Contract Resource Obligation**" means an obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 25

"**Coverage Requirement**" means, with respect to the Parity Bonds, Net Revenue and money from any other lawful source at least equal to 1.25 times the Average Annual Debt Service. *Upon the redemption or defeasance of all of the Outstanding Parity Bonds and any Parity Bonds issued under Ordinance 121938, "Coverage Requirement" shall be defined as follows: "Coverage Requirement" means Adjusted Net Revenue at least equal to 1.25 times Adjusted Annual Debt Service.*

"**Director of Finance**" means the Director of the Department of Finance of the City, or any other officer who succeeds to substantially all of the responsibilities of that office specified in this ordinance

"**Drainage and Wastewater Fund**" means the fund created by Ordinance 84386 and later renamed by Ordinance 111157.

"**Drainage and Wastewater System**" means the drainage and wastewater system of the City, including the sanitary sewerage and storm drainage systems (except properties, interests, and rights under the jurisdiction of the City's Parks and Recreation Department, Seattle Center Department, Seattle Public Utilities Water System City Light Department and Fleets and Facilities Department), as the same may be added to, improved and extended for as long as any Parity Bonds are outstanding. *Upon the redemption or defeasance of all of the then outstanding Parity Bonds, "Drainage and Wastewater System" shall include any utility system of the City which is combined with the Drainage and Wastewater System, but not any separate utility system that may be created, acquired or constructed by the City as provided in Section 24*

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

"**Future Parity Bonds**" means any and all revenue bonds and obligations of the Drainage and Wastewater System (other than the Bonds) issued thereafter the payment of the principal of and interest on which is constituting a lien and charge upon the Net Revenue on a parity with the lien and charge upon such Net Revenue for 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.

"**Government Obligations**" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government

"**Gross Revenue**" means for all income, revenues, receipts and profits derived by the City through the ownership and operation of the Drainage and Wastewater 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 Drainage and Wastewater 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 Drainage and Wastewater System. Gross Revenues does not include (a) insurance proceeds compensating the City for the loss of a capital asset, (b) income derived from assessments irrevocably pledged to the payment of any defeased bonds payable from Gross Revenue, (c) investment income set aside for or 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 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 Revenue thereunder, (e) the proceeds of any borrowing for capital improvements (or the refinancing thereof), (f) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenue); and (g) general ad valorem taxes, excise taxes and special assessments, including interest and penalties [illegible]

"**Interest Subaccount**" means the subaccount of that name created in the Parity Bond Account by Ordinance 113699 for the payment of the interest on Parity Bonds.

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

"**Lien**" means the lien on Net Revenue and money from any other lawful source at least equal to 1.25 times the Average Annual Debt Service. *Upon the redemption or defeasance of all of the Outstanding Parity Bonds and any Parity Bonds issued under Ordinance 121938, "Lien" shall be defined as follows: "Coverage Requirement" means Adjusted Net Revenue at least equal to 1.25 times Adjusted Annual Debt Service.*

"**Maximum Annual Debt Service**" means the greatest amount of Annual Debt Service in any calendar year.

"**Net Revenue**" means Gross Revenue less Operating and Maintenance Expense.

"**Operating and Maintenance Expense**" means all operating and maintenance expenses of the Drainage and Wastewater System, including but not limited to, (a) administrative and general expenses, (b) ordinary current maintenance expenses, (c) taxes and assessments, (d) payments to other City funds for services and facilities provided to the Drainage and Wastewater System, (e) payments to other governmental units for services and facilities provided to the Drainage and Wastewater System, (f) payments to the Drainage and Wastewater Fund for services and facilities provided to other City funds, (g) payments to the General Fund for services and facilities provided to the Drainage and Wastewater System, (h) payments to the Drainage and Wastewater Fund for services and facilities provided to the Drainage and Wastewater System, (i) payments to the Drainage and Wastewater Fund for services and facilities provided to the Drainage and Wastewater System, (j) payments to the Drainage and Wastewater 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... of this ordinance. The respective Registered Owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true and lawful trustee of the respective Registered Owners of those Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the Registered Owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of any Registered Owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the Registered Owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

d. Application of Money Collected by Bond Owners' Trustee. Any money collected by the Bond Owners' Trustee at any time pursuant to this Section shall be applied in the following order of priority:

(i) first, to the payment of the charges, expenses, advances and compensation of the Bond Owners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys, and

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

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

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

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

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

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

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

(i) an Event of Default has happened and is continuing;

(ii) a Bond Owners' Trustee has been appointed;

(iii) such owner previously shall have given to the Bond Owners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted;

... [invalidity of] 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 32. Ratification of Prior Acts. Any action taken consistent with the authority of this ordinance, after its passage but prior to the effective date, is ratified, approved and confirmed.

Section 33. Section Headings. The Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

Section 34. Effective Date. This ordinance shall take effect and be in force 30 days from and after its approval by the Mayor, but if not approved by the Mayor and returned by the Mayor within ten days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 5th day of September, 2006, and signed by me in open session in authentication of its passage this 5th day of September, 2006.

Nick Licata

President of the City Council

Approved by me this 8th day of September, 2006.

Gregory J. Nickels, Mayor

Filed by me this 11th day of September, 2006.

(Seal) Judith Pippin

City Clerk

Attachment: Exhibit A

Publication ordered by JUDITH PIPPIN, City Clerk

EXHIBIT A

Outstanding Water Parity Bonds

Issue Name -- Dated Date -- Original Par Amount -- Parity Bond Authorizing Legislation

Water System Revenue Bonds, 1997 ("1997 Bonds") 3/15/1997 $53,000,000 Ordinance 118512 and Resolution 29553

Water System Revenue Bonds, 1998 ("1998 Bonds") 6/1/1998 $80,000,000 Ordinance 118974 and Resolution 29785

Water System Revenue Bonds, 1999 (1999A Bonds) 6/1/1999 $100,000,000 Ordinance 119457 and Resolution 29974

Water System Revenue Bonds, 1999, Series B ("1999B Bonds") 10/1/1999 $110,000,000 Ordinance 119619 and Resolution 30057

Water System Revenue Bonds, 2001 ("2001 Bonds") 11/1/2001 $52,525,000 Ordinance 120547 and Resolution 30419

Water System and Refunding Revenue Bonds, 2003 ("2003 Bonds") 4/29/2003 $71,420,000 Ordinance 121091 and Resolution 30598

Water System Revenue Bonds, 2004 ("2004 Bonds") 10/25/2004 $54,750,000 Ordinance 121587 and Resolution 30710

Water System Revenue Refunding Bonds, 2005 ("2005 Bonds") 12/28/2005 $148,040,000 Ordinance 121939 and Resolution 30852

Date of publication in the Seattle Daily Journal of Commerce, September 15, 2006.

9/15(202481)

City of Seattle

ORDINANCE 122212

AN ORDINANCE relating to the University District Parking and Business Improvement Area, increasing the assessment rates, and amending Ordinance 118412, as previously amended by Ordinance 120304, in accordance therewith.

WHEREAS, the University District Parking and Business Improvement Area ("PBIA") was created in 1996 through Ordinance 118412, which provided for the levy of special assessments upon businesses within the PBIA for the purpose of enhancing conditions for the operation of those businesses; and

WHEREAS, in 2001, through Ordinance 120304, the City Council approved an assessment rate increase of approximately 4%; and

WHEREAS, this year, the University District Ratepayers Advisory Group requested an additional 10% increase in the assessment rates, as well as a 10% increase in the minimum and maximum assessments allowed by Ordinance 118412, to prevent reduction in PBIA services caused by inflation in prices since 2001; and

WHEREAS, a public hearing regarding the proposed rate adjustment was held on __________, 2006, and comments regarding

Gregory J. Nickels, Mayor

Filed by me this 11th day of September, 2006.

(Seal) Judith Pippin

City Clerk

Publication ordered by JUDITH PIPPIN, City Clerk

Date of publication in the Seattle Daily Journal of Commerce, September 15, 2006.

9/15(202480)

City of Seattle

ORDINANCE 122209

AN ORDINANCE relating to financing and refinancing of the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and issuing and selling the bonds, authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds, describing the lien of the bonds, creating certain accounts of the City relating to the bonds, and amending certain definitions in Ordinance 121938 relating to drainage and wastewater refunding revenue bonds.

WHEREAS, The City of Seattle (the "City") owns, maintains and operates a system of sanitary sewerage and storm and surface water drainage as part of Seattle Public Utilities (the "Drainage and Wastewater System"), which Drainage and Wastewater System has from time to time required various additions, improvements and extensions, and

WHEREAS, the City needs to acquire and construct certain additions and betterments to and extensions of the Drainage and Wastewater System as set forth in this ordinance (the "Plan of Additions"); and

WHEREAS, pursuant to the bond legislation described in Exhibit A, the City issued its drainage and wastewater revenue bonds described in Exhibit A and provided for the issuance of additional bonds having a lien and charge on the Net Revenue of the Drainage and Wastewater System on a parity of lien with those bonds ("Parity Bonds") upon compliance with certain conditions, and

WHEREAS, pursuant to Ordinance 121938, the City authorized the issuance and sale of drainage and wastewater revenue bonds for the purpose, among other things, of paying all or part of the costs of refunding certain of the City's drainage and wastewater revenue bonds, and

WHEREAS, the City has determined that it is in the best interest of the City to amend certain definitions contained in Ordinance 121938 to make such definitions consistent with definitions contained in Ordinance 121939 pursuant to which the City authorized the issuance and sale of water system revenue refunding bonds, and

WHEREAS, no bonds have been issued pursuant to Ordinance 121938, 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 drainage and wastewater revenue bonds as Parity Bonds, to pay part of the cost of carrying out the Plan of Additions, to provide a bond reserve and to pay the costs of issuing and selling those bonds, NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Definitions. As used in this ordinance the words hereinafter defined shall have the meanings set forth in this Section.

"Accreted Value" means (a) with respect to any Capital Appreciation Bonds, as of the time of calculation, the sum of the amount set forth in the ordinance authorizing the Capital Appreciation Bonds as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of the discounted principal which has accreted since the date of issue, in each case the Accreted Value shall be determined in accordance with the provisions of the ordinance authorizing the issuance of such bonds.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service provided for by Parity Bond proceeds.

"Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals

... interest component of 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 3, 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 years or less.

4. 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 3 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 payments 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.

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

"Bond Counsel" means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the City for any purpose under this ordinance applicable to the use of that term.

"Bond Insurance Policy" means a municipal bond new issue insurance policy issued by the Bond Insurer and approved by the City Council by the Bond Resolution or by ordinance, and guaranteeing the timely payment of principal of and interest on any issue of Parity Bonds in accordance with the terms of that policy.

"Bond Insurer" means an insurance company or other financial institution that provides a Bond Insurance Policy.

"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 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 revenue obligations of the Drainage and Wastewater System all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in the ordinance authorizing those obligations and is payable only upon redemption or on the maturity date of such obligations. Obligations which are issued as Capital Appreciation Bonds, but later convert to obligations on which interest is paid periodically, shall be Capital Appreciation Bonds until the conversion date and thereafter shall no longer be Capital Appreciation Bonds, but shall be treated as having a principal amount equal to their Accreted Value on the conversion date.

... set aside for or 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 Revenue hereunder; (e) the proceeds of any borrowing for capital improvements (or the refinancing thereof); (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); and (g) general ad valorem taxes, excise taxes and special assessments, including interest and penalties thereon. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, Gross Revenue also shall not include earnings of any separate utility system that may be created, acquired, or constructed by the City pursuant to Section 24.*

"Independent Consulting Engineer" means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with drainage and wastewater systems of comparable size and character to the Drainage and Wastewater System in such areas as are relevant to the purposes for which they were retained.

"Letter of Representations" means the Blanket Issuer Letter of Representations authorized herein to be delivered by the City to DTC, as it may be amended from time to time.

"Maximum Annual Debt Service" means, at the time of calculation, the maximum amount of Annual Debt Service which shall become due in the current calendar year or in any future calendar year on any outstanding Parity Bonds.

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

"Net Revenue of the Drainage and Wastewater System" or **"Net Revenue"** means the Gross Revenue less Operating and Maintenance Expense paid from Gross Revenue.

"Operating and Maintenance Expense" means all reasonable expenses incurred by the City in causing the Drainage and Wastewater System to be operated and maintained in good repair, working order and condition, including without limitation, payments (other than payments out of proceeds of Parity Bonds or other obligations not issued to pay current expenses of the Drainage and Wastewater System) into reasonable reserves for items of operating or maintenance expense the payment of which is not immediately required, insurance and premiums for insurance, if any, on the Drainage and Wastewater System, and ... taxes, and also including ... payments made to another municipal corporation or governmental agency for treatment or disposal of sewage, but excluding depreciation and amortization and any City taxes imposed or levied on the Drainage and Wastewater System or Gross Revenue or payments in lieu of taxes payable from the Gross Revenue of the Drainage and Wastewater System, and payments of claims or judgments. Accounting for those expenses shall be in accordance with generally accepted accounting principles. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, Operating and Maintenance Expense also shall include amounts due under any Contract Resource Obligation under the conditions described in Section 25.*

"Original Issue Discount Bonds" means revenue obligations of the Drainage and Wastewater System which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds by the ordinance or Bond Resolution under which such obligations are issued.

"Outstanding Parity Bonds" means the then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, as described in Exhibit A.

"Parity Bond Account" means the "Drainage and Wastewater Revenue Bond Account, 1990" created by Ordinance 115098 in the Drainage and Wastewater Fund for the purpose of paying and securing the principal of and interest on Parity Bonds.

"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 outstanding 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 Drainage and Wastewater System equal in rank with the charge and lien upon such Net Revenue required to be paid into the Parity Bond Account to pay and secure the

"Reserve Subaccount" means the subaccount of that name created in the Parity Bond Account by Ordinance 115098 for the purpose of securing the payment of the principal of and interest on Parity Bonds.

"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 Account 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.

"S&P" means Standard and Poor's, a Division of the McGraw-Hill Companies, Inc.

"State" means the State of Washington.

"Term Bonds" means any bonds of any single issue or series designated as Term Bonds in the ordinance or resolution authorizing the issuance of such bonds.

"ULID Assessments" means all assessments levied and collected in a utility local improvement district of the City created for the acquisition or construction of additions to and betterments and extensions of the Drainage and Wastewater System if (and only if) those assessments are pledged to be paid into the Parity Bond Account. ULID Assessments shall not include any prepaid assessments paid into a construction fund or account. ULID Assessments shall include installments thereof and any interest or penalties thereon.

"Undertaking" means the City's undertaking in the Bond Resolution to provide certain continuing disclosure as provided by Section 19.

"Variable Interest Rate" means any variable interest rate or rates to be borne by a 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 (1) 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 (2) 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. Amendment of Ordinance 121938. The following three definitions in section 1 of Ordinance 121938 are amended to read as follows (additions are underlined and deletions are enclosed in double parentheses and struck through). All other definitions in Section 1 of Ordinance 121938 shall remain in full force and effect.

"Adjusted Annual Debt Service" for any fiscal year means Annual Debt Service minus (1) an amount equal to ULID Assessments due in that year and not delinquent, (2) an amount equal to earnings from investments in the Reserve Subaccount and (3) Annual Debt Service provided for by Parity Bond proceeds.

"Adjusted Gross Revenue" means, for any period, Gross Revenue plus withdrawals from the Rate Stabilization Account made during that period, and minus (1) ULID Assessments, (2) earnings from investments in the Reserve Subaccount and (3) ((less)) deposits into the Rate Stabilization Account made during that period.

"Coverage Requirement" means with respect to the Parity Bonds, Net Revenue and money from any other lawful source at least equal to 1.25 times the Average Annual Debt Service. *Upon the redemption or defeasance of all of the then outstanding 1995 Bonds, 1998 Bonds, 1999 Bonds, 2001 Bonds, 2002 Bonds and 2004 Bonds, "Coverage Requirement" shall be defined as follows: "Coverage*

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 establishment of the interest rate or rates on the Bonds and any redemption of the Bonds, including but not limited to securities depository agreements, agreements relating to the provision of Qualified Insurance, Alternate Security, letter of credit or other credit facility, Payment Agreements and similar contracts for such purposes.

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 6. 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 15 days preceding any principal or interest payment or redemption date (or other record date established by the Bond Resolution).

The City appoints DTC as initial Securities Depository for the Bonds. For so long as DTC is the Securities Depository for the Bonds, DTC or its nominee 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. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City approves the Blanket Issuer Letter of Representations with DTC substantially in the form on file with the City Clerk and by this reference made a part hereof (as it may be amended from time to time, the "Letter of Representations"). The Director of Finance is authorized and directed to execute and deliver the Letter of Representations on behalf of the City to DTC on or before the date of delivery of the first series of Bonds to the purchaser thereof, and the payment therefor, with such changes as the Director of Finance deems to be in the best interest of the City, and his execution and delivery of the Letter of Representations shall evidence irrevocably the approval of the Letter of Representations by the City.

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.

For so long as the Bonds are registered in the name of DTC or any nominee thereof, all payments of the principal of or premium, if any, or interest with respect to 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 with respect to 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 ... records maintained by

shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any Registered Owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any Registered Owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the Registered Owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

d. Application of Money Collected by Bondowners' Trustee. Any money collected by the Bondowners' Trustee at any time pursuant to this Section shall be applied in the following order of priority

i. first, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and

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

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

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

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

The Bondowners' Trustee shall not be bound to recognize any person as a Registered Owner of any Bond until his title thereto, if disputed, has been established to its reasonable satisfaction.

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

f. Suits by Individual Bond Owners Restricted. Neither the Registered Owner nor the beneficial owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless:

i. an Event of Default has happened and is continuing; and

ii. a Bondowners' Trustee has been appointed; and

iii. such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; and

iv. the Registered Owners of 25% in principal amount of the Parity Bonds, after the occurrence of such Event of Default, has made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and

v. there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

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

No Registered Owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by his action to affect or impair the obligation of the City to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective Registered Owners thereof when due.

g. Failure to Comply With Undertaking. Notwithstanding anything in this Section to the contrary, the failure of the City or any obligated person to comply with the Undertaking adopted by the Bond Resolution pursuant to Section 19 shall not constitute an Event of Default under this ordinance, the Bond Resolution or the Bonds, and the sole remedy of any holder of a Bond shall be to seek an order of a court of competent jurisdiction from an appropriate court to compel

-- $40,390,000 -- Ordinance 117475 and Resolution 29260

Drainage and Wastewater Revenue Bonds, 1998 ("1998 Bonds") -- 5/18/1998 -- $24,170,000 -- Ordinance 118974 and Resolution 29765

Drainage and Wastewater Improvement and Refunding Revenue Bonds, 1999 ("1999 Bonds") -- 10/1/1999 -- $55,000,000 -- Ordinance 119620 and Resolution 30039

Drainage and Wastewater Revenue Bonds, 2001 ("2001 Bonds") -- 7/1/2001 -- $60,080,000 -- Ordinance 120386 and Resolution 30347

Drainage and Wastewater Revenue and Refunding Bonds, 2002 ("2002 Bonds") -- 12/1/2002 -- $78,550,000 -- Ordinance 120386, Ordinance 120965 and Resolution 30548

Drainage and Wastewater Revenue Bonds, 2004 ("2004 Bonds") -- 10/28/2004 -- $62,010,000 --Ordinance 121551 and Resolution 30716

Date of publication in the Seattle Daily Journal of Commerce, September 15, 2006.

9/15(202482)

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.

[illegible] Bondholders' Event of Default the Bondowners [illegible] the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act [illegible] reunder except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this ordinance, and no implied powers, duties or obligations of the Bondowners' Trustee shall be read into this ordinance.

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

The Bondowners' Trustee shall not be bound to recognize any person as a Registered Owner of any Bond until his title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered [illegible] it hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

f. **Suits by Individual Bond Owners Restricted.** Neither the Registered Owner nor the beneficial owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless:

i. an Event of Default has happened and is continuing; and

ii. a Bondowners' Trustee has been appointed; and

iii. such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; and

iv. the Registered Owners of 25% in principal amount of the Parity Bonds, after the occurrence of such Event of Default, has made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and

v. there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

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

No Registered Owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by his action to affect or impair the obligation of the City to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective Registered Owners thereof when due.

g. **Failure to Comply With Undertaking.** Notwithstanding anything in this Section to the contrary, the failure of the City or any obligated person to comply with the Undertaking adopted by the Bond Resolution pursuant to Section 19 shall not constitute an Event of Default under this ordinance, the Bond Resolution or the Bonds, and the sole remedy of any holder of a Bond shall be to seek an order of specific performance from an appropriate court to compel the City to comply with the Undertaking.

Section 28. General Authorization. The Mayor of the City 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 or her discretion and without further action by the City Council, (i) 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, (ii) deem final and approve the distribution of any preliminary official statement or official statement relating to the Bonds, (iii) comply with any continuing disclosure requirements applicable to the Bonds and (iv) change the Bond registrar or any securities depository appointed for the Bonds.

Section 29. 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 30 Ratification of Prior Acts. Any action taken consistent with the authority of this ordinance, after its passage but prior to the effective date, is ratified, approved and confirmed.

Section 31. Headings. Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

Section 32. Effective Date. This ordinance shall take effect and be in force 30 days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 5th day of September, 2006, and signed by me in open session in authentication of its passage this 5th day of September, 2006.

Nick Licata

President of the City Council

Approved by me this 8th day of September, 2006.

Gregory J. Nickels, Mayor

Filed by me this 11th day of September, 2006

(Seal) Judith Pippin

City Clerk

Attachment: Exhibit A

Publication ordered by JUDITH PIPPIN, City Clerk

EXHIBIT A

Outstanding Drainage and Wastewater Parity Bonds

Issue Name -- Dated Date -- Original Par Amount -- Parity Bond Authorizing Legislation

Drainage and Wastewater Utility Improvement and Refunding Revenue Bonds, 1995 ("1995 Bonds") -- 12/1/1995

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.