

Ordinance No. 122294

Council Bill No. 115765

AN ORDINANCE providing for the defeasance and redemption of certain of the City's outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003; creating and transferring funds into a defeasance account in the Bond Fund; authorizing the execution of a defeasance trust agreement; authorizing the purchase of certain investments and the use of their proceeds; authorizing the call for redemption prior to maturity of defeased bonds; and appropriating amounts in the defeasance account to carry out the defeasance, all by a three-fourths vote of the City Council.

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: McIVER

Councilmember

Committee Action:

11/6/06 PASS 9-0

11-20-06 Passed 9-0

CF No. _____

Date Introduced: OCT 16 2006		
Date 1st Referred:	To: (committee)	BUDGET
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage: <u>11-20-06</u>	Full Council Vote:	<u>9-0</u>
Date Presented to Mayor: <u>11-20-06</u>	Date Approved:	<u>11-22-06</u>
Date Returned to City Clerk: <u>11-22-06</u>	Date Published:	<u>10 pgs</u>
Date Vetoed by Mayor:	Date Veto Published:	T.O. <input type="checkbox"/> F.T. <input checked="" type="checkbox"/>
Date Passed Over Veto:	Veto Sustained:	

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

Law Department

Law Dept. Review

OMP Review

City Clerk Review

Electronic Copy Loaded

Indexed *aw*

ORDINANCE 122294

1
2
3
4 AN ORDINANCE providing for the defeasance and redemption of certain of the City's
5 outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003;
6 creating and transferring funds into a defeasance account in the Bond Fund; authorizing
7 the execution of a defeasance trust agreement; authorizing the purchase of certain
8 investments and the use of their proceeds; authorizing the call for redemption prior to
9 maturity of defeased bonds; and appropriating amounts in the defeasance account to
10 carry out the defeasance, all by a three-fourths vote of the City Council.

11 WHEREAS, pursuant to Ordinance 120979, passed by the City Council on November 18,
12 2002, and Resolution 30571, adopted by the City Council on February 5, 2003
13 (collectively, the "2003 Bond Legislation"), the City of Seattle, Washington (the
14 "City"), issued its \$60,855,000 Limited Tax General Obligation Improvement and
15 Refunding Bonds, 2003 (the "2003 Bonds"), of which \$8,890,000 was allocated to the
16 financing of the Marion Oliver McCaw Hall Project (long) described in Exhibit A to
17 Ordinance 120979 (the "McCaw Hall Bonds"); and

18 WHEREAS, there is presently outstanding \$7,960,000 in principal amount of the McCaw Hall
19 Bonds maturing on August 1 of each of the years 2007 through 2023, inclusive, and
20 bearing interest at various rates from 4.00% to 5.00%; and

21 WHEREAS, pursuant to the 2003 Bond Legislation, the City reserved the right to use money
22 available from any lawful source to pay when due the principal of and interest on all or
23 any portion of the 2003 Bonds pursuant to a defeasance plan, and to redeem outstanding
24 2003 Bonds prior to their maturity on or after August 1, 2013, at a price of par plus
25 accrued interest, if any, to the date fixed for redemption; and

26 WHEREAS, the City has determined it is in its best interest to effect a debt service savings on
27 the McCaw Hall Bonds by providing for the defeasance and redemption, from time to
28 time, of portions of such bonds and by appropriating funds to accomplish an initial
defeasance; NOW THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:



1 Section 1. Definitions. As used in this ordinance, the following words shall have the
2 meanings hereinafter set forth:

3 "Addendum" means an Addendum to the Defeasance Trust Agreement substantially in
4 the form of Exhibit A thereto, with such changes as are consistent with this ordinance and are
5 approved by the Director of Finance.
6

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

10 "Bond Fund" means the City's Bond Interest and Redemption Fund, previously created
11 and established and to be used for the payment of the principal of, premium, if any, and interest
12 on the 2003 Bonds.
13

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

16 "City Council" means the City Council of the City, as duly and regularly constituted
17 from time to time.
18

19 "Defeasance Account" means the McCaw Hall Defeasance Account created in the
20 Bond Fund pursuant to Section 2 of this ordinance.

21 "Defeasance Plan" means:

22 (a) the placement with the Defeasance Trustee of money of the City, as
23 budgeted and available from time to time from payments to the City by the Seattle Opera and
24
25
26



1 the Pacific Northwest Ballet in respect of McCaw Hall that will be sufficient to acquire the
2 Escrow Obligations and provide any required beginning cash balance;

3 (b) the payment of the principal of and interest on the Defeased Bonds when
4 due up to and including August 1, 2013, and on August 1, 2013, to call, pay and redeem all of
5 the then-outstanding Defeased Bonds at a price of par plus accrued interest, if any, to the date
6 of redemption; and
7

8 (c) the payment of the costs of carrying out the foregoing elements of the
9 Defeasance Plan.

10 "Defeasance Trust Agreement" means a Defeasance Trust Agreement between the City
11 and the Defeasance Trustee (including Addenda thereto) substantially in the form attached
12 hereto as Attachment 1 and by this reference incorporated herein, with such changes as are
13 consistent with this ordinance and are approved by the Director of Finance.
14

15 "Defeasance Trustee" means the defeasance trustee hereafter selected by the Director of
16 Finance, and any successor thereto, as defeasance trustee under the Defeasance Trust
17 Agreement.
18

19 "Defeased Bonds" means those McCaw Hall Bonds identified by the Director of
20 Finance in Schedule A to the Defeasance Trust Agreement and in Schedule A to any
21 Addendum, which maturities or portions thereof shall be selected by the Director of Finance
22 (and randomly within a maturity) in denominations of \$5,000 or any integral multiple thereof.
23

24 "Director of Finance" means the director of the Department of Finance of the City, and
25 any successor to substantially the same duties.
26



1 "Escrow Obligations" means Government Obligations purchased to accomplish the
2 defeasance of the Defeased Bonds as authorized by this ordinance.

3 "Government Obligations" means noncallable direct obligations of the United States of
4 America.

5 "McCaw Hall" means Marion Oliver McCaw Hall owned by the City.

6
7 "McCaw Hall Bonds" means the portion of the 2003 Bonds allocable to the financing
8 of the Marion Oliver McCaw Hall Project (long) currently outstanding in the total principal
9 amount of \$7,960,000.

10 "2003 Bond Legislation" means Ordinance 120979, passed by the City Council on
11 November 18, 2002, and Resolution 30571, adopted by the City Council on February 5, 2003.

12
13 "2003 Bonds" means the City's outstanding Limited Tax General Obligation
14 Improvement and Refunding Bonds, 2003, dated February 1, 2003.

15 Section 2. Defeasance Account. There is hereby authorized to be created in the Bond
16 Fund, a special account to be designated the "McCaw Hall Defeasance Account," which
17 account shall be maintained for the sole purpose of implementing the Defeasance Plan. The
18 City Council hereby authorizes and directs the Director of Finance to transfer to the Defeasance
19 Account all amounts so specified, from time to time, by the City Council for the defeasance of
20 the McCaw Hall Bonds. Amounts on deposit in the Defeasance Account shall be appropriated
21 and used to carry out the Defeasance Plan.
22
23
24
25
26



1 The City may, from time to time, transfer, or cause to be transferred, from the
2 Defeasance Account any money not thereafter required for the purposes of carrying out the
3 Defeasance Plan.

4 Section 3. Defeasance of Defeased Bonds.

5 Appointment of Defeasance Trustee. The Director of Finance is hereby authorized and
6 directed to appoint a Defeasance Trustee and to negotiate, and to execute an agreement for,
7 appropriate financial terms.
8

9 Acquisition of Escrow Obligations. From time to time, a sufficient amount of money on
10 deposit in the Defeasance Account shall be transferred to the Defeasance Trustee to be used to
11 discharge the obligations of the City relating to the Defeased Bonds under the 2003 Bond
12 Legislation by providing for the payment of the amounts required to be paid by the Defeasance
13 Plan. To the extent practicable, such obligations shall be discharged fully by the Defeasance
14 Trustee's simultaneous purchase of the Escrow Obligations, bearing such interest and maturing
15 as to principal and interest in such amounts and at such times so as to provide, together with a
16 beginning cash balance, if necessary, for the payment of the amount required to be paid by the
17 Defeasance Plan. The initial Escrow Obligations shall be listed and more particularly
18 described in Schedule B attached to the Defeasance Trust Agreement, and any subsequent
19 Escrow Obligations shall be described in Schedule B to an Addendum to the Defeasance Trust
20 Agreement. The City shall deliver to the Defeasance Trustee with the Defeasance Trust
21 Agreement and each Addendum (i) a verification by a nationally recognized independent
22 certified public accounting firm acceptable to the Defeasance Trustee confirming that the
23
24
25
26

1 payments of principal of and interest on the Escrow Obligations, if paid when due, and any
2 other money held by the Defeasance Trustee will be sufficient to carry out the Defeasance Plan;
3 and (ii) an opinion of Bond Counsel to the effect that the interest on the Defeased Bonds will
4 remain excluded from gross income for federal income tax purposes under Sections 103 and
5 148 of the Code. Such Escrow Obligations are subject to substitution as set forth below.

6
7 Substitution of Escrow Obligations. After the purchase of the Escrow Obligations by the
8 Defeasance Trustee, the City reserves the right to substitute therefore cash or Substitute
9 Obligations subject to the conditions that such money or securities held by the Defeasance
10 Trustee shall be sufficient to carry out the Defeasance Plan and that the City obtain, at its
11 expense, (i) a verification by a nationally recognized independent certified public accounting
12 firm acceptable to the Defeasance Trustee confirming that the payments of principal of and
13 interest on the substitute securities, if paid when due, and any other money held by the
14 Defeasance Trustee will be sufficient to carry out the Defeasance Plan; and (ii) an opinion of
15 Bond Counsel to the effect that the disposition and substitution or purchase of such securities,
16 under the statutes, rules, and regulations then in force and applicable to the Defeased Bonds,
17 will not cause the interest on the Defeased Bonds to be included in gross income for federal
18 income tax purposes and that such disposition and substitution or purchase is in compliance
19 with the statutes and regulations applicable to the Bonds. Any surplus money resulting from
20 the sale, transfer, other disposition, or redemption of the Escrow Obligations and the
21 substitutions therefore shall be released from the trust estate and transferred to the City to be
22 used for any lawful City purpose.
23
24
25
26



1 Administration of Defeasance Plan. The Defeasance Trustee is authorized and directed to
2 purchase the Escrow Obligations (or substitute obligations) and to make the payments required
3 to be made by the Defeasance Plan from the Escrow Obligations (or substitute obligations) and
4 money deposited with the Defeasance Trustee pursuant to this ordinance. All Escrow
5 Obligations (or substitute obligations) and the money deposited with the Defeasance Trustee
6 and any income therefrom shall be held irrevocably, invested and applied in accordance with
7 the provisions of the 2003 Bond Legislation, this ordinance and the Defeasance Trust
8 Agreement. All necessary and proper fees, compensation, and expenses of the Defeasance
9 Trustee for costs incidental to the setting up of the escrow to accomplish the defeasance of the
10 Defeased Bonds, including verification fees, bond counsel's fees, and other related expenses,
11 shall be paid by the City.
12

13
14 Authorization for Defeasance Trust Agreement and Addenda. The Director of Finance is
15 authorized and directed to enter into a Defeasance Trust Agreement with the Defeasance
16 Trustee. The Director of Finance is further authorized and directed to enter into one or more
17 Addenda to the Defeasance Trust Agreement when, based on budgeted amounts and/or interest
18 earnings, he determines that there is sufficient money on deposit in the Defeasance Account to
19 invest in Escrow Obligations sufficient, together with a beginning cash balance, if necessary, to
20 defease additional McCaw Hall Bonds. The Director of Finance is authorized to identify those
21 additional Defeased Bonds and to obtain, at City expense, (i) a verification from an
22 independent nationally recognized certified public accounting firm acceptable to the
23 Defeasance Trustee confirming that the payment of principal of and interest on those additional
24
25
26



1 Escrow Obligations, if paid when due, and any other money held by the Defeasance Trustee for
2 that purpose, will be sufficient to carry out the new portion of the Defeasance Plan; and (ii) an
3 opinion of Bond Counsel to the effect that the interest on the Defeased Bonds will remain
4 excluded from gross income for federal income tax purposes under Sections 103 and 148 of the
5 Code.

6
7 Section 4. Findings and Determinations Concerning Defeasance Plan. The City
8 Council finds and determines that it is in the best interest of the City and its taxpayers that the
9 City carry out the Defeasance Plan and hereby ratifies and approves the Defeasance Plan.

10 Section 5. Call for Redemption of the Defeased Bonds. The City calls for redemption
11 on August 1, 2013, all of the then-outstanding Defeased Bonds at a price of par plus accrued
12 interest, if any. Such call for redemption shall be irrevocable after the establishment of a
13 sufficient escrow provided by the Defeasance Agreement.

14
15 Section 6. Appropriation. In order to carry out the Defeasance Plan and to pay for
16 necessary costs and expenses incurred or to be incurred, the appropriation for the following in
17 the 2006 Budget is increased from the fund shown, as follows:
18

19

<u>Fund</u>	<u>Department</u>	<u>Budget Control Level</u>	<u>Maximum Amount</u>
20 McCaw Hall 21 Defeasance 22 Account of the 23 Bond Interest and 24 Redemption Fund 25 20135	DEA	9CR35	\$2,300,000



1 Section 7. Transfer. To support the appropriation made in Section 6 above, the Director
2 of Finance and the Director of Seattle Center are authorized to transfer to the Defeasance
3 Account up to the amount specified as follows, for the defeasance of the Defeased Bonds:

<u>Fund</u>	<u>Maximum Amount Transferred</u>
4 McCaw Hall Defeasance Account of the 5 Bond Interest and Redemption Fund 6 20135	\$2,300,000 transferred in
7 1999 Seattle Center/Community Center 8 Fund, Seattle Center Subfund (33810)	\$2,300,000 transferred out

9 Section 8. General Authorization. The Mayor and the Director of Finance and each of
10 the other appropriate officers of the City are each authorized and directed to do everything as in
11 their judgment may be necessary, appropriate, or desirable in order to carry out the terms and
12 provisions of, and complete the transactions contemplated by, this ordinance.

14 Section 9. Severability. The provisions of this ordinance are declared to be separate
15 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all
16 appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable
17 as to any person or circumstance, such offending provision shall, if feasible, be deemed to be
18 modified to be within the limits of enforceability or validity. However, if the offending
19 provision cannot be so modified, it shall be null and void with respect to the particular person
20 or circumstance, and all other provisions of this ordinance in all other respects, and the
21 offending provision with respect to all other persons and all other circumstances, shall remain
22 valid and enforceable.
23
24
25
26

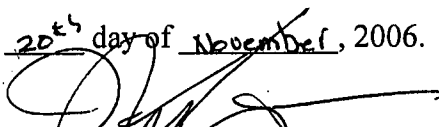


1 Section 10. Ratification of Prior Acts. Any action taken consistent with the authority of
2 this ordinance but between its passage and the effective date is ratified, approved and
3 confirmed.


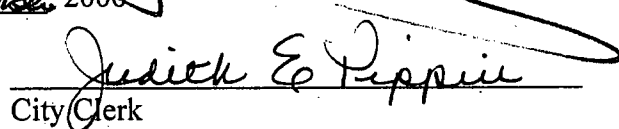
4 Section 11. Headings. The section headings in this ordinance are used for convenience
5 only and shall not constitute a substantive portion of this ordinance.

6 Section 12. Effective Date. This ordinance shall take effect and be in force thirty (30)
7 days from and after its approval by the Mayor, but if not approved and returned by the Mayor
8 within ten (10) days after presentation, it shall take effect as provided by Municipal Code
9 Section 1.04.020.

10
11
12 Passed by the City Council the 20th day of November 2006, and signed by me in open
13 session in authentication of its passage this 20th day of November, 2006.

14
15 
16 _____
17 President _____ of the City Council

18
19 Approved by me this 20th day of November, 2006

20
21 
22 _____
23 Gregory J. Nickels, Mayor
24
25 
26 _____
27 City Clerk

28 Filed by me this 20th day of November, 2006

(Seal)





City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

September 25, 2006

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

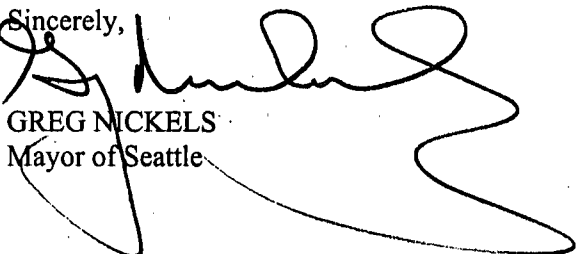
Dear Council President Licata:

I am pleased to transmit the attached proposed Council Bill authorizing a partial defeasance of approximately \$2.2 million of 2003 limited tax general obligation bonds allocable to the McCaw Hall construction project, thereby reducing the City's annual debt service by approximately \$180,000.

In 2003, the City issued \$27 million in bonds to provide interim financing for the construction of McCaw Hall, \$18 million of which was short-term debt that was paid off last year from a combination of state, King County, and private funding contributions. The other \$9 million in interim financing was in the form of 20-year bonds. Approximately \$680,000 of annual debt service on these long-term bonds was paid by the McCaw Hall capital project through mid-2005. Since that time, the debt service on the 2003 long-term McCaw Hall bonds has been paid by the two resident tenants of McCaw Hall – the Seattle Opera and Pacific Northwest Ballet, and by the General Fund, pursuant to a City Council add to the 2005-2006 Budget for this purpose. By the end of 2006, all McCaw Hall project expenses will have been paid, all short-term financing will have been paid off, additional private pledge payments will have been received and, with the closing of the Lot 2 sale in November or December, the Lot 2 matching funds for McCaw Hall will be released. At that time, there will be sufficient cash in the 1999 Seattle Center/Community Centers Fund to defease up to \$2.2 million of the 2003 long-term bonds. The Seattle Center Foundation, in conjunction with the Seattle Opera and Pacific Northwest Ballet, continues to seek additional funding for the McCaw Hall capital project from the State of Washington and King County. Funds that come in during 2007, including private pledge payments, additional State and County funds, and Lot 2 matching funds, can be used for additional defeasance of the McCaw Hall bonds in 2008.

Thank you for your consideration of this legislation. Should you have questions, please contact Ned Dunn at the Seattle Center (684-7212) or Michael Van Dyck in the Department of Finance (684-8347).

Sincerely,


GREG NICKELS
Mayor of Seattle

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, E:mail: mayors.office@seattle.gov

An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Attachment 1 – Defeasance Trust Agreement
Schedule A: Initial Defeased Bonds
Schedule B: Escrow Obligations
Exhibit A: Addendum
Exhibit B: Notice of Defeasance
Exhibit C: Notice of Redemption



ATTACHMENT 1

DEFEASANCE TRUST AGREEMENT

THIS DEFEASANCE TRUST AGREEMENT (including addenda, "Agreement") is made and entered into as of the _____ day of _____, 2007, by and between THE CITY OF SEATTLE, WASHINGTON (the "City"), a municipal corporation, and _____ of _____, (the "Defeasance Trustee").

WHEREAS, pursuant to Ordinance 120979, passed by the City Council on November 18, 2002 and Resolution 30571, adopted by the City Council on February 5, 2003 (the "2003 Bond Legislation"), the City issued its Limited Tax General Obligation Improvement and Refunding Bonds, 2003 (the "2003 Bonds"), a portion of the proceeds of which were used to fund the Marion Oliver McCaw Hall Project (long) (the "McCaw Hall Bonds"); and

WHEREAS, by Ordinance _____, the City has determined to defease a portion of the McCaw Hall Bonds and has authorized the City's Director of Finance to take such actions he deems necessary or desirable to accomplish such partial defeasance; and

WHEREAS, in Schedule A of this Agreement the City has identified the portions of the McCaw Hall Bonds to be defeased as of the Date of Closing and the Director of Finance of the City has been authorized, from time to time, to identify in Schedule A of Addenda additional portions of the McCaw Hall Bonds to be defeased (collectively, the "Defeased Bonds"); and

WHEREAS, the payment of the Defeased Bonds will be accomplished pursuant to this Agreement, including any Addenda as herein authorized, which documents provide for and, for the purpose of the Internal Revenue Code of 1986, as amended (the "Code"), are to be considered as the Defeasance Plan, by:

(a) The delivery by the City to the Defeasance Trustee on the date of this Agreement (the "Date of Closing") of the amount set forth in Section 1 hereof; and

(b) The purchase by the Defeasance Trustee on the Date of Closing of the noncallable direct obligations of the United States of America listed on Schedule B attached hereto and made a part hereof by this reference (the "Initial Escrow Obligations"), which Initial Escrow Obligations satisfy the requirements of the Verification described in paragraph (d); and

(c) The subsequent purchase by the Defeasance Trustee of the noncallable direct obligations of the United States of America listed on Schedule B to each Addendum and made a part hereof by this referenced (the "Additional Escrow Obligations" and, collectively with the Initial Escrow Obligations, the "Escrow Obligations"), which Additional Escrow Obligations will satisfy the requirements of the Verification described in paragraph e; and



(d) The delivery to the City and the Defeasance Trustee of a verification (the "Verification") by a nationally recognized independent certified public accounting firm verifying the mathematical accuracy of the computations (which computations shall be attached to that report) showing that the Initial Escrow Obligations to be purchased by the Defeasance Trustee pursuant to this Agreement, together with the specified beginning cash balance, if any, and the maturing principal of and interest on such Initial Escrow Obligations, will provide sufficient money (assuming that all principal of and interest on the Escrow Obligations are paid on the due dates thereof and assuming no reinvestment of such maturing principal and interest) to pay interest on the Defeased Bonds when due up to and including August 1, 2013, and on August 1, 2013, call, pay, and redeem all of the outstanding Defeased Bonds at a price of par, plus accrued interest, if any; and

(e) The delivery to the City and the Defeasance Trustee of a Verification by a nationally recognized independent certified public accounting firm verifying the mathematical accuracy of the computations (which computations shall be attached to that report) showing that the Subsequent Escrow Obligations to be purchased by the Defeasance Trustee pursuant to this Agreement and the applicable Addendum, together with the specified beginning cash balance if any, and the maturing principal of and interest on such Subsequent Escrow Obligations, will provide sufficient money (assuming that all principal of and interest on the Subsequent Escrow Obligations are paid on the due dates thereof and assuming no reinvestment of such maturing principal and interest) to pay and redeem the Defeased Bonds identified in Schedule B attached to the applicable Addendum as set forth in that Schedule B.

(f) The receipt by the Defeasance Trustee of the maturing installments of principal of and interest on the Escrow Obligations; and

(g) The Defeasance Trustee's payment to the fiscal agent of the State of Washington of money sufficient to make the payments on the Defeased Bonds set forth herein;

and

WHEREAS, upon the deposit of cash with the Defeasance Trustee and the purchase by the Defeasance Trustee of the Escrow Obligations to carry out the Defeasance Plan under the authority of the laws of the State of Washington, the principal amount of the Defeased Bonds no longer shall be considered outstanding pursuant to the defeasance provisions of the 2003 Bond Legislation;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained and for the benefit of the City, the parties hereto agree as follows:

Section 1. Delivery of Money to Defeasance Trustee. On the Date of Closing, the City shall cause to be delivered to the Defeasance Trustee \$ _____ of money of the City on deposit in the _____ Fund, _____ (the "Defeasance Deposit") to



establish an irrevocable defeasance escrow for the Defeased Bonds. All subsequent deposits with the Defeasance Trustee shall be set forth in an Addendum.

Section 2. Investment and Expenditure of Money. On the Date of Closing, the Defeasance Trustee shall apply \$ _____ to pay on behalf of the City the purchase and/or subscription prices of the Initial Escrow Obligations, from the sources, in the principal amounts, with the dates of maturity and bearing the interest rates or yields set forth in Schedule B, and \$ _____ to establish a beginning cash balance. The investment and expenditure of subsequent deposits with the Defeasance Trustee shall be set forth in an Addendum. Upon receipt thereof, the Defeasance Trustee shall deliver to the City copies of the documents evidencing the purchase of and payment for the Escrow Obligations. Investments in mutual funds and unit investment trusts are prohibited.

Section 3. Sufficiency of Escrow Obligations. Based upon the Verification, the City represents that the Escrow Obligations and the maturing principal thereof and the interest thereon, if paid when due, together with the beginning cash balance, shall be sufficient to make when due the payments required by the Defeasance Plan. Such amounts coming due are sometimes referred to hereinafter as the "payments described in Section 3." The schedules of the sources, amounts, maturities, and interest rates or yields of the Escrow Obligations and of the Defeased Bonds that will fulfill the foregoing requirements are set forth in the Verification.

Section 4. Collection of Proceeds of Escrow Obligations and Application of Such Proceeds and Money. The Defeasance Trustee shall present for payment and shall collect and receive on the due dates thereof the maturing installments of the principal of and the interest on the Escrow Obligations and any Substitute Obligations (defined hereinafter). The Defeasance Trustee shall make payments, but only in the amounts received pursuant to this section, in a timely manner to the Fiscal Agent of the State of Washington (the "Fiscal Agent") of the amounts to be paid on the Defeased Bonds as shown in the Verification. Those payments shall be made by check, wire transfer, or such other method of transfer of funds as shall be agreed upon by the Defeasance Trustee and the Fiscal Agent.

Section 5. Notice of Defeasance/Notice of Redemption. The Defeasance Trustee agrees to give a notice of defeasance of the Defeased Bonds and a notice of redemption of the Defeased Bonds pursuant to the terms of the Defeased Bonds, and in substantially the forms attached hereto as and as described in Exhibits B and C, to the Fiscal Agent for distribution as described therein. The notice of defeasance shall be given with respect to each series of Defeased Bonds immediately following the execution of this Agreement and execution of each Addendum. The notice of redemption shall be given in accordance with the 2003 Bond Legislation. The cost of giving the notice shall be paid by the City.

Section 6. All Obligations and Money and Proceeds Thereof Held in Trust. The Defeasance Trustee irrevocably agrees to hold the Escrow Obligations, the Substitute Obligations, if any, the principal thereof and interest thereon, and any other money it may receive pursuant to this Agreement and any reinvestments thereof made pursuant to Sections 8 and 9 hereof, in trust and separate at all times from all other funds and investments held by the Defeasance Trustee, solely for the purpose of making the payments described in Section 3. The City irrevocably conveys, transfers, and assigns to the Defeasance Trustee the Escrow Obligations, any Substitute Obligations, the principal thereof and the interest thereon, and any



other money and investments deposited with the Defeasance Trustee pursuant to this Agreement, for the purpose of making such payments. The Defeasance Trustee shall not sell, transfer, assign, or hypothecate any Escrow Obligations, reinvestments, or Substitute Obligations except pursuant to Sections 8, 9, 14 and 15 hereof.

Section 7. Reports and Notice of Insufficiency. The Defeasance Trustee shall submit a report to the City, at least semiannually, which report shall set forth the cash, Escrow Obligations, and any Substitute Obligations held hereunder by the Defeasance Trustee, the obligations which have matured and amounts received by the Defeasance Trustee by reason of such maturity, the interest earned on such obligations, a list of any investments or reinvestments made by the Defeasance Trustee in other obligations and the interest and/or principal derived therefrom, the amounts paid to the Fiscal Agent, and any other transaction of the Defeasance Trustee pertaining to its duties and obligations as set forth herein.

If the maturing principal of and interest on the Escrow Obligations, any Substitute Obligations and other money held by the Defeasance Trustee pursuant to this Agreement shall be insufficient or shall be projected to become insufficient at any time in the future to make the payments described in Section 3, the Defeasance Trustee shall give the City prompt notice of such insufficiency or projected insufficiency.

Section 8. Substitution of Different Government Obligations or Other Investments. The City reserves the right to substitute from time to time for Escrow Obligations initially purchased in accordance with Section 2 hereof, or for obligations purchased under this section, other noncallable, nonprepayable direct obligations of the United States of America and/or obligations unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest (the "Substitute Obligations"). Prior to effecting any such substitution, the City shall have obtained at its expense and delivered to the Defeasance Trustee:

(a) A verification by a nationally recognized independent certified public accounting firm acceptable to the Defeasance Trustee confirming that the maturing principal of and interest on the Substitute Obligations and any remaining Escrow Obligations to be held by the Defeasance Trustee in the defeasance escrow, if paid when due and assuming no reinvestment thereof, together with any other cash then held by the Defeasance Trustee, will be sufficient to carry out the Defeasance Plan and make all remaining payments described in Section 3; and

(b) An opinion from Foster Pepper PLLC, bond counsel to the City, its successor or other nationally recognized bond counsel to the City, that the disposition and substitution or purchase of such securities, under the statutes, rules, and regulations then in force and applicable to the Bonds, will not cause the interest on the Defeased Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Defeased Bonds.

If the verification delivered to the Defeasance Trustee pursuant to Section 8(a) shows that surplus money not needed to make the payments described in Section 3 will result from the sale, transfer, or other disposition of Escrow Obligations and the substitution of Substitute Obligations therefor, that surplus money at the written request of the City shall be released from the trust

estate and shall be transferred to the City to be used for any lawful City purpose, subject to any restrictions stated in the opinion of bond counsel required by Section 8(b).

Section 9. Reinvestment of Proceeds of Escrow and/or Substitute Obligations. The proceeds (principal and interest) and reinvestment proceeds of any Escrow Obligations and/or Substitute Obligations held by the Defeasance Trustee in accordance with this Agreement, which are not needed within five business days of the receipt thereof to make the payments described in Section 3, shall be reinvested by the Defeasance Trustee, but only upon receipt of written request of the City, on such date of receipt or the next business day. The City shall direct such reinvestment subject to the following conditions:

(a) Except as provided in subsection (c) below, the proceeds of such Escrow Obligations and/or Substitute Obligations shall be reinvested in Substitute Obligations at a yield that will not cause the composite yield on the defeasance escrow to exceed _____% during its term or such higher yield as may be directed by letter of instructions from the City to the Defeasance Trustee, but if the composite yield on the directed investments made pursuant to this Agreement would exceed _____%, such letter of instructions shall contain a verification of such composite yield and shall be based upon and accompanied by the opinion of Foster Pepper PLLC, bond counsel to the City, its successor, or other nationally recognized bond counsel to the City, approving reinvestment of such proceeds at such higher yield.

(b) The obligations in which such proceeds are reinvested shall mature in an amount at least equal to their purchase price on the date or dates directed by the City, but not later than the date (as shown by the then most recent certified public accountant verification) the principal thereof is needed to make the payments described in Section 3;

(c) If such proceeds, together with other funds remaining in trust, are insufficient to reinvest in the smallest denomination of such obligations or are required to be used to make payments described in Section 3 sooner than the shortest maturity available for such obligations, then those proceeds and funds either shall be converted to United States currency and retained or shall remain uninvested in the defeasance escrow and carried on the books of the Defeasance Trustee until required to make the payments described in Section 3, or until sufficient money is accumulated to permit the investment thereof; and

(d) "Yield," as used in paragraph (a) of this section with respect to the Escrow Obligations and Substitute Obligations, means that yield computed in accordance with and permitted by the Code applicable to the Defeased Bonds and the trust under this Agreement so as to preserve the exclusion from gross income for federal income tax purposes of the interest on the Defeased Bonds.

The Defeasance Trustee may make any and all investments permitted by the provisions of this Section through its own investment department or the investment departments of any of its affiliates.

Section 10. Amendments to Agreement. The Defeasance Trustee and the City recognize that the owners of the Defeased Bonds from time to time have a beneficial interest in the Escrow Obligations, the Substitute Obligations, and money to be held by the Defeasance Trustee as herein provided. Therefore, this Agreement and any Addendum are irrevocable and shall not be subject to amendment except for the purpose of clarifying any ambiguity herein; increasing the protection of the rights of the owners of the Defeased Bonds, or preserving the exclusion of the interest on the Defeased Bonds from gross income for federal income tax purposes, and only if such amendment is accompanied by an opinion addressed to the City and the Defeasance Trustee from Foster Pepper PLLC, its successor or other nationally recognized bond counsel to the City, to the effect that such change is necessary for one of the above reasons and does not detrimentally affect the owners of the outstanding Defeased Bonds or that it strengthens the protection of the owners of the Defeased Bonds and does not detrimentally affect the owners of the Defeased Bonds. If such amendment affects the amount of money and investments in the escrow account or the application thereof, prior to the amendment's taking effect there also shall be a verification by a nationally recognized independent certified public accounting firm satisfactory to the Defeasance Trustee to the effect that after such amendment the Escrow Obligations, Substitute Obligations, and other money in the escrow account will be sufficient to make the payments described in Section 3. A copy of such verification shall be delivered to the Defeasance Trustee.

Section 11. Limitation of Liability of Defeasance Trustee. None of the provisions contained in this Agreement shall require the Defeasance Trustee to use or advance its own funds in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Defeasance Trustee shall be under no liability for the payment of interest on any funds or other property received by it hereunder except to the extent the Defeasance Trustee is required by the express terms of this Agreement to invest such funds.

The Defeasance Trustee's liabilities and obligations in connection with this Agreement are confined to those specifically described herein. The Defeasance Trustee is authorized and directed to comply with the provisions of this Agreement and is relieved from all liability for so doing notwithstanding any demand or notice to the contrary by any party hereto. The Defeasance Trustee shall not be responsible or liable for the sufficiency, correctness, genuineness, or validity of the Escrow Obligations or the Substitute Obligations deposited with it; the performance or compliance by any party other than the Defeasance Trustee with the terms or conditions of any such instruments; or any loss which may occur by reason of forgeries, false representations, or the exercise of the Defeasance Trustee's discretion in any particular manner unless such exercise is negligent or constitutes willful misconduct.

If any controversy arises between the City and any third person, the Defeasance Trustee shall not be required to determine the same or to take any action in the premises, but it may institute, in its discretion, an interpleader or other proceedings in connection therewith as it may deem proper, and in following either course, it shall not be liable.

Section 12. City Deposit of Additional Money. The City agrees that it will deposit with the Defeasance Trustee in time to make the then current scheduled debt service payment the additional money specified in the Defeasance Trustee's notice of insufficiency given pursuant to Section 7 hereof.



Section 13. Remittance of Funds When Defeased Bonds Paid in Full. At such time as the Defeasance Trustee has received the representation of the City that all of the payments described in Section 3 have been made and the confirmation of such representation by the Fiscal Agent, together with such other evidence of such payments as shall be satisfactory to the City and the Defeasance Trustee, the Defeasance Trustee shall deliver forthwith or remit to the City any remaining Escrow Obligations, Substitute Obligations, and money held pursuant to this Agreement.

Section 14. Compensation of Defeasance Trustee. The payment arrangement heretofore made between the Defeasance Trustee and the City on compensation and expenses of the Defeasance Trustee for services rendered by it pursuant to the provisions of this Agreement is satisfactory to it and to the City, and no further payment to the Defeasance Trustee shall be required for such purpose. Such arrangement for compensation and expenses is intended as compensation for the ordinary services as contemplated by this Agreement, and if the Defeasance Trustee renders any service hereunder not provided for in this Agreement, or the Defeasance Trustee is made a party to or intervenes in any litigation pertaining to this Agreement or institutes interpleader proceedings relative hereto, the Defeasance Trustee shall be compensated reasonably by the City for such extraordinary services and reimbursed for all fees, costs, liability, and expenses (including reasonable attorneys' fees) occasioned thereby. The Defeasance Trustee shall not have a lien against or otherwise be compensated for its services and expenses from the money, Escrow Obligations, and Substitute Obligations held pursuant to this Agreement to make the payments described in Section 3.

Section 15. Successor Defeasance Trustee. The obligations assumed by the Defeasance Trustee pursuant to this Agreement may be transferred by the Defeasance Trustee to a successor if (a) the Defeasance Trustee has presented evidence satisfactory to the City and to Foster Pepper PLLC, its successor or other nationally recognized bond counsel to the City that the successor trustee meets the requirements of RCW 39.53.070, as now in effect or hereafter amended; (b) the City approves the appointment of the successor trustee; (c) the successor trustee has assumed all of the obligations of the Defeasance Trustee under this Agreement and has been compensated; and (d) all of the Escrow Obligations, reinvestments, Substitute Obligations, and money then held by the Defeasance Trustee pursuant to this Agreement have been duly transferred to such successor trustee.

Notwithstanding anything to the contrary contained in this Agreement, any company into which the Defeasance Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which the Defeasance Trustee is a party, or any company to which the Defeasance Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Defeasance Trustee without execution or filing of any paper or further act, if such company is eligible to serve as Defeasance Trustee under RCW 39.53.070.

Section 16. Miscellaneous. This Agreement is governed by Washington law without regard to the conflict of laws provisions thereof and may not be modified except by a writing signed by the parties and subject to the limitations of Section 10. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any

other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Section 17. Notice to Rating Agencies. The Defeasance Trustee shall notify all national rating agencies maintaining (at the request of the City) a rating on the Defeased Bonds or the Bonds, in writing upon timely receipt of notice or evidence of either of the following circumstances:

(a) Prior to their taking effect, any amendments to this Agreement under Section 10, enclosing the proposed amendatory documents; and

(b) The holding (referred to in Section 16) that one or more provisions of this Agreement are invalid, illegal, or unenforceable in any respect, enclosing a copy of that holding.

Such notices shall be sent to the applicable rating agencies by first class mail to the addresses advised by those rating agencies.

Section 18. Counterparts. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement pursuant to due and proper authorization, all as of the date and year first above written.

THE CITY OF SEATTLE, WASHINGTON

_____, as Defeasance Trustee

By _____
Title: _____

By _____
Title: _____



SCHEDULE A
INITIAL DEFEASED BONDS

Marion Oliver McCaw Hall (long) Defeased Bonds

<u>Maturity Year</u> <u>(August 1)</u>	<u>Par Amount</u> <u>Defeased*</u>	<u>Interest</u> <u>Rate</u>
2007		4.000%
2008		4.000%
2009		4.000%
2010		4.000%
2011		4.000%
2012		4.000%
2013		4.000%
2014		4.000%
2015		4.125%
2016		4.250%
2017		4.250%
2018		4.375%
2019		4.500%
2020		5.000%
2021		5.000%
2022		5.000%
2023		5.000%

Total Defeased

*represents a portion of the principal due on each maturity date of the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2003



#[USE THIS SCHEDULE FOR OPEN MARKET ESCROW]#

SCHEDULE B

**THE CITY OF SEATTLE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION IMPROVEMENT AND REFUNDING
BONDS, 2003**

ESCROW OBLIGATIONS

<u>TYPE*</u>	<u>MATURITY DATE</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>	<u>PURCHASE PRICE</u>
--------------	--------------------------	-----------------------	--------------------------	---------------------------

*#[insert description of abbreviation of type of security]#



#[USE THIS SCHEDULE FOR SLGS ESCROW]#

SCHEDULE B

**THE CITY OF SEATTLE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION IMPROVEMENT AND REFUNDING
BONDS, 2003**

ESCROW OBLIGATIONS

<u>TYPE*</u>	<u>MATURITY DATE</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>
--------------	--------------------------	-----------------------	--------------------------

*CERT -	United States Treasury Certificate of Indebtedness--State and Local Government Series
NOTE -	United States Treasury Note--State and Local Government Series



EXHIBIT A

ADDENDUM NO. ____

THIS ADDENDUM is made and entered into as of the ____ day of _____, 20__ (the "Date of Closing"), by and between THE CITY OF SEATTLE, WASHINGTON (the "City"), a municipal corporation, and _____ of _____ (the "Defeasance Trustee"), as an Addendum to the Defeasance Trust Agreement dated as of the ____ day of _____, 20__ (the "Agreement"), by and between the City and the Defeasance Trustee relating to the defeasance of all or a portion of the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2003, a portion of the proceeds of which were used to fund the Marion Oliver McCaw Hall (long) project (the "Defeased Bonds").

WHEREAS, the Agreement authorized the execution of one or more Addenda to designate additional maturities of the Defeased Bonds to be defeased pursuant to the terms of the Agreement and to add Escrow Obligations and cash to the account of the City held by the Defeasance Trustee.

WHEREAS, all acts and proceedings required by law necessary to make this Addendum a valid and binding agreement for the uses and purposes set forth herein in accordance with its terms, have been done and taken, and the execution and delivery of this Addendum have been in all respects duly authorized;

NOW, THEREFORE, the City and the Defeasance Trustee agree:

Section 1. Definitions. All capitalized terms used but not defined in this Addendum shall have the meanings assigned to them in the Agreement.

Section 2. Designation of Defeased Bonds. Pursuant to Section 3(e) of the Defeasance Ordinance, the Defeased Bonds identified in Schedule A of this Addendum are hereby designated as "Defeased Bonds" for the purposes of the Agreement.

Section 3. Delivery of Money to Defeasance Trustee; Investment and Expenditure of Money. On the Date of Closing the City shall cause to be delivered to the Defeasance Trustee \$_____, and the Defeasance Trustee shall apply \$_____ to pay on behalf of the City the purchase and/or subscription prices of the Escrow Obligations identified in Schedule B of this Addendum, and \$_____ to establish a beginning cash balance.

Section 4. All Other Provisions of Agreement. Except as and to the extent supplemented by this Addendum, all provisions of the Agreement shall remain in full force and effect.

Section 5. Counterparts. This Addendum may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum pursuant to due and proper authorization, all as of the date and year first above written.



THE CITY OF SEATTLE, WASHINGTON

_____,
as Defeasance Trustee

By _____
Title: Director of Finance

By _____
Title: _____



EXHIBIT B

Notice of Defeasance*
The City of Seattle, Washington
Limited Tax General Obligation Improvement and Refunding Bonds, 2003

NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds with respect to which, pursuant to the Defeasance Trust Agreement dated as of _____, by and between The City of Seattle, Washington (the "City"), and _____ (the "Defeasance Trustee"), there has been deposited into an escrow account, held by the Defeasance Trustee, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money to pay each year, to and including the respective maturity dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to Section __ of Ordinance _____ of the City relating to the Defeased Bonds, but will be paid by application of the assets in such escrow account.

The Defeased Bonds are described as follows:

The City of Seattle, Washington
Limited Tax General Obligation Improvement and Refunding Bonds, 2003
(Dated February 1, 2003)

<u>Maturity Date</u> <u>(August 1)</u>	<u>Par Amount</u> <u>Defeased</u>	<u>Interest</u> <u>Rate</u>	<u>Call Date</u> <u>(at 100%)</u>	<u>CUSIP</u> <u>Nos.</u>
2007		4.000%		
2008		4.000%		
2009		4.000%		
2010		4.000%		
2011		4.000%		
2012		4.000%		
2013		4.000%		
2014		4.000%		
2015		4.125%		
2016		4.250%		
2017		4.250%		
2018		4.375%		
2019		4.500%		
2020		5.000%		
2021		5.000%		
2022		5.000%		
2023		5.000%		

_____, as Defeasance Trustee

Dated: _____

* This notice shall be given immediately by first class mail to each registered owner of the Defeased Bonds and to each Nationally Recognized Municipal Securities Information Repository and the Depository Trust Company of New York, New York.





EXHIBIT C

Notice of Redemption*

The City of Seattle, Washington Limited Tax General Obligation Improvement and Refunding Bonds, 2003

NOTICE IS HEREBY GIVEN that The City of Seattle, Washington, has called for redemption on August 1, 2013, a portion of its then-outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus accrued interest to August 1, 2013. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

[By Mail or in Person]

-or-

[In Person Only]

The Bank of New York
Fiscal Agency Department
Ground Floor
101 Barclay Street, 7 East
New York, NY 10286

Any branch of Wells Fargo
Bank, National Association in the
State of Washington

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on August 1, 2013.

The following Bonds are being redeemed:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Par Amount</u> <u>Defeased</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Nos.</u>
2007		4.000%	
2008		4.000%	
2009		4.000%	
2010		4.000%	
2011		4.000%	
2012		4.000%	
2013		4.000%	
2014		4.000%	
2015		4.125%	
2016		4.250%	
2017		4.250%	
2018		4.375%	
2019		4.500%	
2020		5.000%	

* This notice shall be given not less than 30 nor more than 60 days prior to August 1, 2013, by first class mail, postage prepaid, to each registered owner of the redeemed bonds. In addition, notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's at their offices in New York, New York; JP Morgan Securities, Inc. at its principal office in Seattle, Washington; and The Depository Trust Company of New York, New York, and each NRMSIR.



2021	5.000%
2022	5.000%
2023	5.000%

By Order of The City of Seattle, Washington

The Bank of New York, as Paying Agent

Dated: _____

Under Section 3406(a)(1) of the Internal Revenue Code the Registrar may be obligated to withhold a percentage of the principal of a holder who has failed to furnish the Registrar with a valid taxpayer identification number and a certification that the owner is not subject to backup withholding. Owners who wish to avoid the application of these provisions should submit a completed IRS Form W-9 when presenting their certificates for payment.



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Department of Finance	Michael vanDyck, 684-8347 Ned Dunn, Seattle Center, 684-7212	Mambo Emedi, 233-2651

Legislation Title:

AN ORDINANCE providing for the defeasance and redemption of certain of the City's outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003; creating and transferring funds into a defeasance account in the Bond Fund; authorizing the execution of a defeasance trust agreement; authorizing the purchase of certain investments and the use of their proceeds; authorizing the call for redemption prior to maturity of defeased bonds; and appropriating amounts in the defeasance account to carry out the defeasance, all by a three-fourths vote of the City Council.

• **Summary of the Legislation:**

This legislation authorizes a partial defeasance of 2003 limited tax general obligation bonds allocable to the McCaw Hall construction project. In a defeasance, cash is placed in escrow and invested in a portfolio of securities (typically state and local government securities, treasuries, etc.), the income from which is used to pay the debt service on certain bonds. As a consequence, the City is relieved from the debt service on these bonds. The source of funds for the partial defeasance of the 2003 McCaw Hall long-term bonds will be the cash balance at the end of 2006 in the 1999 Seattle Center/Community Centers Fund, Seattle Center Subfund, after end-of-year private pledges for McCaw Hall have been received, together with McCaw Hall Matching Funds from the sale of Lot 2. The legislation authorizes the use of up to \$2.3 million for the defeasance. The actual amount of the defeasance will depend on the amount of private pledge payments for McCaw Hall received by the end of the year.

• **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

In 2003, the City issued \$27 million in bonds to provide interim financing for the construction of McCaw Hall. Approximately \$18 million of this debt was short-term, and was paid off last year from a combination of state, King County and private funding contributions for McCaw Hall. The other \$9 million in interim financing was in the form of 20-year bonds. Approximately \$680,000 of annual debt service on these long-term bonds



was paid by the McCaw Hall capital project through mid-2005. Since that time, the debt service on the 2003 long-term McCaw Hall bonds has been paid 50% by the two resident tenants of McCaw Hall – the Seattle Opera and Pacific Northwest Ballet (25% each) and 50% by the City's General Fund, pursuant to an add by the City Council to the 2005-2006 budget for this purpose. In February 2005, the City Council authorized the sale of the Seattle Center 5th Avenue parking lot ("Lot 2") to be the future home of the Bill & Melinda Gates Foundation. The City Council further authorized that \$4 million of the proceeds from the sale of Lot 2 be used as matching funds, on a 1 for 2 basis, for additional public or private commitments received for the McCaw Hall capital project. To date, additional funding commitments for McCaw Hall have been received to make eligible the use of \$2,256,425 of Lot 2 matching funds.

By the end of 2006, all McCaw Hall project expenses will have been paid, all short-term financing will have been paid off, additional private pledge payments will have been received and, with the closing of the Lot 2 sale in November or December, the Lot 2 matching funds for McCaw Hall will be released. At that time, there will be up to \$2.3 million available in the 1999 Seattle Center/Community Centers Fund to apply towards a partial defeasance of the \$9M in 2003 long-term bonds for McCaw Hall. This cash is expected to be sufficient to defease up to about \$2.2 million of the 2003 bonds, thereby reducing the City's annual debt service by an estimated \$180,000.

- *Please check one of the following:*

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

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2006 Appropriation	2007 Anticipated Appropriation
Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund (20135)	DEA	9CR35	\$2,300,000	N/A
TOTAL			\$2,300,000	

**See budget book to obtain the appropriate Budget Control Level for your department.*

Notes:

Up to \$2.3 million will be transferred, as authorized by this legislation, from the 1999 Seattle Center/Community Centers Fund to the newly created Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund. The funds will be appropriated from this new account in order to be deposited to a financial institution for the defeasance of 2003 long-term McCaw Hall bonds.

Anticipated Revenue/Reimbursement: Resulting From This Legislation: *This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

Fund Name and Number	Department	Revenue Source	2006 Revenue	2007 Revenue
N/A				
TOTAL				

Notes:



Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE

Impact: This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below the table.

Position Title and Department*	Fund Name	Fund Number	Part-Time/Full Time	2006 Positions	2006 FTE	2007 Positions**	2007 FTE**
N/A							
TOTAL							

* List each position separately

** 2007 positions and FTE are total 2007 position changes resulting from this legislation, not incremental changes. Therefore, under 2007, please be sure to include any continuing positions from 2006

Notes:

- **Do positions sunset in the future?** (If yes, identify sunset date):

N/A

Spending/Cash Flow: This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.

Fund Name and Number	Department	Budget Control Level*	2006 Expenditures	2007 Anticipated Expenditures
Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund(20135)	DEA	9CR35		\$2,300,000
TOTAL				\$2,300,000

* See budget book to obtain the appropriate Budget Control Level for your department.

Notes: The deposit of funds to a financial institution for the defeasance will occur in the first quarter of 2007.



- **What is the financial cost of not implementing the legislation?** *(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)*

An estimated \$180,000 in reduction of the City's debt service obligation for the 2003 McCaw Hall long-term bonds will not be realized, and a significant additional financial burden will be placed on the Seattle Opera and Pacific Northwest Ballet. (Note: While the debt service on the 2003 long-term McCaw Hall bonds is ultimately an obligation of the City, under the current agreement between the City and the Seattle Opera and Pacific Northwest Ballet, 50% of the debt service on the 2003 McCaw Hall long-term bonds is paid by the Ballet and Opera through 2006. The debt service reopener provision in the agreement will be revisited in 2007.)

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** *(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)*

DOF considered an "informal defeasance" whereby the City would simply place the cash in the Bond Interest and Redemption Fund and invest it with the City's consolidated cashpool. Unfortunately, there would be no certainty about how much interest the City would earn and consequently no certainty about how many bonds could be defeased. Alternatively, in a formal defeasance, interest earnings are known at the time of the defeasance.

Is the legislation subject to public hearing requirements: *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

No.

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

The Seattle Center Foundation, in conjunction with the Seattle Opera and Pacific Northwest Ballet, continues to seek additional funding for the McCaw Hall capital project from the State of Washington and King County. Funds that come in during 2007, including private pledge payments, additional State and County funds, and Lot 2 matching funds, can be used for additional defeasance of the McCaw Hall bonds in 2008.

Please list attachments to the fiscal note below:

None.

ORDINANCE 122294

1
2
3
4 AN ORDINANCE providing for the defeasance and redemption of certain of the City's
5 outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003;
6 creating and transferring funds into a defeasance account in the Bond Fund; authorizing
7 the execution of a defeasance trust agreement; authorizing the purchase of certain
8 investments and the use of their proceeds; authorizing the call for redemption prior to
9 maturity of defeased bonds; and appropriating amounts in the defeasance account to
10 carry out the defeasance, all by a three-fourths vote of the City Council.

11 WHEREAS, pursuant to Ordinance 120979, passed by the City Council on November 18,
12 2002, and Resolution 30571, adopted by the City Council on February 5, 2003
13 (collectively, the "2003 Bond Legislation"), the City of Seattle, Washington (the
14 "City"), issued its \$60,855,000 Limited Tax General Obligation Improvement and
15 Refunding Bonds, 2003 (the "2003 Bonds"), of which \$8,890,000 was allocated to the
16 financing of the Marion Oliver McCaw Hall Project (long) described in Exhibit A to
17 Ordinance 120979 (the "McCaw Hall Bonds"); and

18 WHEREAS, there is presently outstanding \$7,960,000 in principal amount of the McCaw Hall
19 Bonds maturing on August 1 of each of the years 2007 through 2023, inclusive, and
20 bearing interest at various rates from 4.00% to 5.00%; and

21 WHEREAS, pursuant to the 2003 Bond Legislation, the City reserved the right to use money
22 available from any lawful source to pay when due the principal of and interest on all or
23 any portion of the 2003 Bonds pursuant to a defeasance plan, and to redeem outstanding
24 2003 Bonds prior to their maturity on or after August 1, 2013, at a price of par plus
25 accrued interest, if any, to the date fixed for redemption; and

26 WHEREAS, the City has determined it is in its best interest to effect a debt service savings on
27 the McCaw Hall Bonds by providing for the defeasance and redemption, from time to
28 time, of portions of such bonds and by appropriating funds to accomplish an initial
defeasance; NOW THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:



1 Section 1. Definitions. As used in this ordinance, the following words shall have the
2 meanings hereinafter set forth:

3 "Addendum" means an Addendum to the Defeasance Trust Agreement substantially in
4 the form of Exhibit A thereto, with such changes as are consistent with this ordinance and are
5 approved by the Director of Finance.

6
7 "Bond Counsel" means a firm of lawyers nationally recognized and accepted as bond
8 counsel and so employed by the City for any purpose under this ordinance applicable to the use
9 of that term.

10 "Bond Fund" means the City's Bond Interest and Redemption Fund, previously created
11 and established and to be used for the payment of the principal of, premium, if any, and interest
12 on the 2003 Bonds.

13
14 "City" means The City of Seattle, Washington, a municipal corporation duly organized
15 and existing under the laws of the State of Washington.

16 "City Council" means the City Council of the City, as duly and regularly constituted
17 from time to time.

18
19 "Defeasance Account" means the McCaw Hall Defeasance Account created in the
20 Bond Fund pursuant to Section 2 of this ordinance.

21 "Defeasance Plan" means:

22 (a) the placement with the Defeasance Trustee of money of the City, as
23 budgeted and available from time to time from payments to the City by the Seattle Opera and
24

1 the Pacific Northwest Ballet in respect of McCaw Hall that will be sufficient to acquire the
2 Escrow Obligations and provide any required beginning cash balance;

3 (b) the payment of the principal of and interest on the Defeased Bonds when
4 due up to and including August 1, 2013, and on August 1, 2013, to call, pay and redeem all of
5 the then-outstanding Defeased Bonds at a price of par plus accrued interest, if any, to the date
6 of redemption; and
7

8 (c) the payment of the costs of carrying out the foregoing elements of the
9 Defeasance Plan.

10 “Defeasance Trust Agreement” means a Defeasance Trust Agreement between the City
11 and the Defeasance Trustee (including Addenda thereto) substantially in the form attached
12 hereto as Attachment 1 and by this reference incorporated herein, with such changes as are
13 consistent with this ordinance and are approved by the Director of Finance.
14

15 “Defeasance Trustee” means the defeasance trustee hereafter selected by the Director of
16 Finance, and any successor thereto, as defeasance trustee under the Defeasance Trust
17 Agreement.
18

19 “Defeased Bonds” means those McCaw Hall Bonds identified by the Director of
20 Finance in Schedule A to the Defeasance Trust Agreement and in Schedule A to any
21 Addendum, which maturities or portions thereof shall be selected by the Director of Finance
22 (and randomly within a maturity) in denominations of \$5,000 or any integral multiple thereof.
23

24 “Director of Finance” means the director of the Department of Finance of the City, and
25 any successor to substantially the same duties.
26



1 "Escrow Obligations" means Government Obligations purchased to accomplish the
2 defeasance of the Defeased Bonds as authorized by this ordinance.

3 "Government Obligations" means noncallable direct obligations of the United States of
4 America.

5 "McCaw Hall" means Marion Oliver McCaw Hall owned by the City.

6
7 "McCaw Hall Bonds" means the portion of the 2003 Bonds allocable to the financing
8 of the Marion Oliver McCaw Hall Project (long) currently outstanding in the total principal
9 amount of \$7,960,000.

10 "2003 Bond Legislation" means Ordinance 120979, passed by the City Council on
11 November 18, 2002, and Resolution 30571, adopted by the City Council on February 5, 2003.

12
13 "2003 Bonds" means the City's outstanding Limited Tax General Obligation
14 Improvement and Refunding Bonds, 2003, dated February 1, 2003.

15 Section 2. Defeasance Account. There is hereby authorized to be created in the Bond
16 Fund, a special account to be designated the "McCaw Hall Defeasance Account," which
17 account shall be maintained for the sole purpose of implementing the Defeasance Plan. The
18 City Council hereby authorizes and directs the Director of Finance to transfer to the Defeasance
19 Account all amounts so specified, from time to time, by the City Council for the defeasance of
20 the McCaw Hall Bonds. Amounts on deposit in the Defeasance Account shall be appropriated
21 and used to carry out the Defeasance Plan.
22
23
24
25
26



1 The City may, from time to time, transfer, or cause to be transferred, from the
2 Defeasance Account any money not thereafter required for the purposes of carrying out the
3 Defeasance Plan.

4 Section 3. Defeasance of Defeased Bonds.

5 Appointment of Defeasance Trustee. The Director of Finance is hereby authorized and
6 directed to appoint a Defeasance Trustee and to negotiate, and to execute an agreement for,
7 appropriate financial terms.
8

9 Acquisition of Escrow Obligations. From time to time, a sufficient amount of money on
10 deposit in the Defeasance Account shall be transferred to the Defeasance Trustee to be used to
11 discharge the obligations of the City relating to the Defeased Bonds under the 2003 Bond
12 Legislation by providing for the payment of the amounts required to be paid by the Defeasance
13 Plan. To the extent practicable, such obligations shall be discharged fully by the Defeasance
14 Trustee's simultaneous purchase of the Escrow Obligations, bearing such interest and maturing
15 as to principal and interest in such amounts and at such times so as to provide, together with a
16 beginning cash balance, if necessary, for the payment of the amount required to be paid by the
17 Defeasance Plan. The initial Escrow Obligations shall be listed and more particularly
18 described in Schedule B attached to the Defeasance Trust Agreement, and any subsequent
19 Escrow Obligations shall be described in Schedule B to an Addendum to the Defeasance Trust
20 Agreement. The City shall deliver to the Defeasance Trustee with the Defeasance Trust
21 Agreement and each Addendum (i) a verification by a nationally recognized independent
22 certified public accounting firm acceptable to the Defeasance Trustee confirming that the
23
24
25
26



1 payments of principal of and interest on the Escrow Obligations, if paid when due, and any
2 other money held by the Defeasance Trustee will be sufficient to carry out the Defeasance Plan;
3 and (ii) an opinion of Bond Counsel to the effect that the interest on the Defeased Bonds will
4 remain excluded from gross income for federal income tax purposes under Sections 103 and
5 148 of the Code. Such Escrow Obligations are subject to substitution as set forth below.

6 Substitution of Escrow Obligations. After the purchase of the Escrow Obligations by the
7 Defeasance Trustee, the City reserves the right to substitute therefore cash or Substitute
8 Obligations subject to the conditions that such money or securities held by the Defeasance
9 Trustee shall be sufficient to carry out the Defeasance Plan and that the City obtain, at its
10 expense, (i) a verification by a nationally recognized independent certified public accounting
11 firm acceptable to the Defeasance Trustee confirming that the payments of principal of and
12 interest on the substitute securities, if paid when due, and any other money held by the
13 Defeasance Trustee will be sufficient to carry out the Defeasance Plan; and (ii) an opinion of
14 Bond Counsel to the effect that the disposition and substitution or purchase of such securities,
15 under the statutes, rules, and regulations then in force and applicable to the Defeased Bonds,
16 will not cause the interest on the Defeased Bonds to be included in gross income for federal
17 income tax purposes and that such disposition and substitution or purchase is in compliance
18 with the statutes and regulations applicable to the Bonds. Any surplus money resulting from
19 the sale, transfer, other disposition, or redemption of the Escrow Obligations and the
20 substitutions therefore shall be released from the trust estate and transferred to the City to be
21 used for any lawful City purpose.
22
23
24
25
26



1 Administration of Defeasance Plan. The Defeasance Trustee is authorized and directed to
2 purchase the Escrow Obligations (or substitute obligations) and to make the payments required
3 to be made by the Defeasance Plan from the Escrow Obligations (or substitute obligations) and
4 money deposited with the Defeasance Trustee pursuant to this ordinance. All Escrow
5 Obligations (or substitute obligations) and the money deposited with the Defeasance Trustee
6 and any income therefrom shall be held irrevocably, invested and applied in accordance with
7 the provisions of the 2003 Bond Legislation, this ordinance and the Defeasance Trust
8 Agreement. All necessary and proper fees, compensation, and expenses of the Defeasance
9 Trustee for costs incidental to the setting up of the escrow to accomplish the defeasance of the
10 Defeased Bonds, including verification fees, bond counsel's fees, and other related expenses,
11 shall be paid by the City.
12

13
14 Authorization for Defeasance Trust Agreement and Addenda. The Director of Finance is
15 authorized and directed to enter into a Defeasance Trust Agreement with the Defeasance
16 Trustee. The Director of Finance is further authorized and directed to enter into one or more
17 Addenda to the Defeasance Trust Agreement when, based on budgeted amounts and/or interest
18 earnings, he determines that there is sufficient money on deposit in the Defeasance Account to
19 invest in Escrow Obligations sufficient, together with a beginning cash balance, if necessary, to
20 defease additional McCaw Hall Bonds. The Director of Finance is authorized to identify those
21 additional Defeased Bonds and to obtain, at City expense, (i) a verification from an
22 independent nationally recognized certified public accounting firm acceptable to the
23 Defeasance Trustee confirming that the payment of principal of and interest on those additional
24
25
26



1 Escrow Obligations, if paid when due, and any other money held by the Defeasance Trustee for
2 that purpose, will be sufficient to carry out the new portion of the Defeasance Plan; and (ii) an
3 opinion of Bond Counsel to the effect that the interest on the Defeased Bonds will remain
4 excluded from gross income for federal income tax purposes under Sections 103 and 148 of the
5 Code.

6
7 Section 4. Findings and Determinations Concerning Defeasance Plan. The City
8 Council finds and determines that it is in the best interest of the City and its taxpayers that the
9 City carry out the Defeasance Plan and hereby ratifies and approves the Defeasance Plan.

10 Section 5. Call for Redemption of the Defeased Bonds. The City calls for redemption
11 on August 1, 2013, all of the then-outstanding Defeased Bonds at a price of par plus accrued
12 interest, if any. Such call for redemption shall be irrevocable after the establishment of a
13 sufficient escrow provided by the Defeasance Agreement.

14 Section 6. Appropriation. In order to carry out the Defeasance Plan and to pay for
15 necessary costs and expenses incurred or to be incurred, the appropriation for the following in
16 the 2006 Budget is increased from the fund shown, as follows:
17
18

<u>Fund</u>	<u>Department</u>	<u>Budget Control Level</u>	<u>Maximum Amount</u>
McCaw Hall Defeasance Account of the Bond Interest and Redemption Fund 20135	DEA	9CR35	\$2,300,000



1 Section 7. Transfer. To support the appropriation made in Section 6 above, the Director
2 of Finance and the Director of Seattle Center are authorized to transfer to the Defeasance
3 Account up to the amount specified as follows, for the defeasance of the Defeased Bonds:

<u>Fund</u>	<u>Maximum Amount Transferred</u>
McCaw Hall Defeasance Account of the Bond Interest and Redemption Fund 20135	\$2,300,000 transferred in
1999 Seattle Center/Community Center Fund, Seattle Center Subfund (33810)	\$2,300,000 transferred out

9 Section 8. General Authorization. The Mayor and the Director of Finance and each of
10 the other appropriate officers of the City are each authorized and directed to do everything as in
11 their judgment may be necessary, appropriate, or desirable in order to carry out the terms and
12 provisions of, and complete the transactions contemplated by, this ordinance.

14 Section 9. Severability. The provisions of this ordinance are declared to be separate
15 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all
16 appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable
17 as to any person or circumstance, such offending provision shall, if feasible, be deemed to be
18 modified to be within the limits of enforceability or validity. However, if the offending
19 provision cannot be so modified, it shall be null and void with respect to the particular person
20 or circumstance, and all other provisions of this ordinance in all other respects, and the
21 offending provision with respect to all other persons and all other circumstances, shall remain
22 valid and enforceable.
23
24
25
26

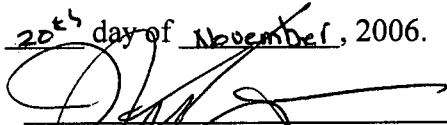


1 Section 10. Ratification of Prior Acts. Any action taken consistent with the authority of
2 this ordinance but between its passage and the effective date is ratified, approved and
3 confirmed.


4 Section 11. Headings. The section headings in this ordinance are used for convenience
5 only and shall not constitute a substantive portion of this ordinance.
6

7 Section 12. Effective Date. This ordinance shall take effect and be in force thirty (30)
8 days from and after its approval by the Mayor, but if not approved and returned by the Mayor
9 within ten (10) days after presentation, it shall take effect as provided by Municipal Code
10 Section 1.04.020.

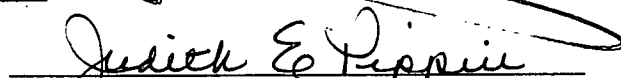
11
12 Passed by the City Council the 20th day of November, 2006, and signed by me in open
13 session in authentication of its passage this 20th day of November, 2006.

14 
15 _____
16 President _____ of the City Council

17 Approved by me this 20th day of November, 2006.

18 
19 _____
20 Gregory J. Nickels, Mayor

21 Filed by me this 22nd day of November, 2006.

22 
23 _____
24 City Clerk

25 (Seal)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Attachment 1 – Defeasance Trust Agreement
 Schedule A: Initial Defeased Bonds
 Schedule B: Escrow Obligations
 Exhibit A: Addendum
 Exhibit B: Notice of Defeasance
 Exhibit C: Notice of Redemption



ATTACHMENT 1

DEFEASANCE TRUST AGREEMENT

THIS DEFEASANCE TRUST AGREEMENT (including addenda, "Agreement") is made and entered into as of the _____ day of _____, 2007, by and between THE CITY OF SEATTLE, WASHINGTON (the "City"), a municipal corporation, and _____ of _____, (the "Defeasance Trustee").

WHEREAS, pursuant to Ordinance 120979, passed by the City Council on November 18, 2002 and Resolution 30571, adopted by the City Council on February 5, 2003 (the "2003 Bond Legislation"), the City issued its Limited Tax General Obligation Improvement and Refunding Bonds, 2003 (the "2003 Bonds"), a portion of the proceeds of which were used to fund the Marion Oliver McCaw Hall Project (long) (the "McCaw Hall Bonds"); and

WHEREAS, by Ordinance _____, the City has determined to defease a portion of the McCaw Hall Bonds and has authorized the City's Director of Finance to take such actions he deems necessary or desirable to accomplish such partial defeasance; and

WHEREAS, in Schedule A of this Agreement the City has identified the portions of the McCaw Hall Bonds to be defeased as of the Date of Closing and the Director of Finance of the City has been authorized, from time to time, to identify in Schedule A of Addenda additional portions of the McCaw Hall Bonds to be defeased (collectively, the "Defeased Bonds"); and

WHEREAS, the payment of the Defeased Bonds will be accomplished pursuant to this Agreement, including any Addenda as herein authorized, which documents provide for and, for the purpose of the Internal Revenue Code of 1986, as amended (the "Code"), are to be considered as the Defeasance Plan, by:

(a) The delivery by the City to the Defeasance Trustee on the date of this Agreement (the "Date of Closing") of the amount set forth in Section 1 hereof; and

(b) The purchase by the Defeasance Trustee on the Date of Closing of the noncallable direct obligations of the United States of America listed on Schedule B attached hereto and made a part hereof by this reference (the "Initial Escrow Obligations"), which Initial Escrow Obligations satisfy the requirements of the Verification described in paragraph (d); and

(c) The subsequent purchase by the Defeasance Trustee of the noncallable direct obligations of the United States of America listed on Schedule B to each Addendum and made a part hereof by this referenced (the "Additional Escrow Obligations" and, collectively with the Initial Escrow Obligations, the "Escrow Obligations"), which Additional Escrow Obligations will satisfy the requirements of the Verification described in paragraph e; and

(d) The delivery to the City and the Defeasance Trustee of a verification (the "Verification") by a nationally recognized independent certified public accounting firm verifying the mathematical accuracy of the computations (which computations shall be attached to that report) showing that the Initial Escrow Obligations to be purchased by the Defeasance Trustee pursuant to this Agreement, together with the specified beginning cash balance, if any, and the maturing principal of and interest on such Initial Escrow Obligations, will provide sufficient money (assuming that all principal of and interest on the Escrow Obligations are paid on the due dates thereof and assuming no reinvestment of such maturing principal and interest) to pay interest on the Defeased Bonds when due up to and including August 1, 2013, and on August 1, 2013, call, pay, and redeem all of the outstanding Defeased Bonds at a price of par, plus accrued interest, if any; and

(e) The delivery to the City and the Defeasance Trustee of a Verification by a nationally recognized independent certified public accounting firm verifying the mathematical accuracy of the computations (which computations shall be attached to that report) showing that the Subsequent Escrow Obligations to be purchased by the Defeasance Trustee pursuant to this Agreement and the applicable Addendum, together with the specified beginning cash balance if any, and the maturing principal of and interest on such Subsequent Escrow Obligations, will provide sufficient money (assuming that all principal of and interest on the Subsequent Escrow Obligations are paid on the due dates thereof and assuming no reinvestment of such maturing principal and interest) to pay and redeem the Defeased Bonds identified in Schedule B attached to the applicable Addendum as set forth in that Schedule B.

(f) The receipt by the Defeasance Trustee of the maturing installments of principal of and interest on the Escrow Obligations; and

(g) The Defeasance Trustee's payment to the fiscal agent of the State of Washington of money sufficient to make the payments on the Defeased Bonds set forth herein;

and

WHEREAS, upon the deposit of cash with the Defeasance Trustee and the purchase by the Defeasance Trustee of the Escrow Obligations to carry out the Defeasance Plan under the authority of the laws of the State of Washington, the principal amount of the Defeased Bonds no longer shall be considered outstanding pursuant to the defeasance provisions of the 2003 Bond Legislation;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained and for the benefit of the City, the parties hereto agree as follows:

Section 1. Delivery of Money to Defeasance Trustee. On the Date of Closing, the City shall cause to be delivered to the Defeasance Trustee \$_____ of money of the City on deposit in the _____ Fund, _____ (the "Defeasance Deposit") to



establish an irrevocable defeasance escrow for the Defeased Bonds. All subsequent deposits with the Defeasance Trustee shall be set forth in an Addendum.

Section 2. Investment and Expenditure of Money. On the Date of Closing, the Defeasance Trustee shall apply \$_____ to pay on behalf of the City the purchase and/or subscription prices of the Initial Escrow Obligations, from the sources, in the principal amounts, with the dates of maturity and bearing the interest rates or yields set forth in Schedule B, and \$_____ to establish a beginning cash balance. The investment and expenditure of subsequent deposits with the Defeasance Trustee shall be set forth in an Addendum. Upon receipt thereof, the Defeasance Trustee shall deliver to the City copies of the documents evidencing the purchase of and payment for the Escrow Obligations. Investments in mutual funds and unit investment trusts are prohibited.

Section 3. Sufficiency of Escrow Obligations. Based upon the Verification, the City represents that the Escrow Obligations and the maturing principal thereof and the interest thereon, if paid when due, together with the beginning cash balance, shall be sufficient to make when due the payments required by the Defeasance Plan. Such amounts coming due are sometimes referred to hereinafter as the "payments described in Section 3." The schedules of the sources, amounts, maturities, and interest rates or yields of the Escrow Obligations and of the Defeased Bonds that will fulfill the foregoing requirements are set forth in the Verification.

Section 4. Collection of Proceeds of Escrow Obligations and Application of Such Proceeds and Money. The Defeasance Trustee shall present for payment and shall collect and receive on the due dates thereof the maturing installments of the principal of and the interest on the Escrow Obligations and any Substitute Obligations (defined hereinafter). The Defeasance Trustee shall make payments, but only in the amounts received pursuant to this section, in a timely manner to the Fiscal Agent of the State of Washington (the "Fiscal Agent") of the amounts to be paid on the Defeased Bonds as shown in the Verification. Those payments shall be made by check, wire transfer, or such other method of transfer of funds as shall be agreed upon by the Defeasance Trustee and the Fiscal Agent.

Section 5. Notice of Defeasance/Notice of Redemption. The Defeasance Trustee agrees to give a notice of defeasance of the Defeased Bonds and a notice of redemption of the Defeased Bonds pursuant to the terms of the Defeased Bonds, and in substantially the forms attached hereto as and as described in Exhibits B and C, to the Fiscal Agent for distribution as described therein. The notice of defeasance shall be given with respect to each series of Defeased Bonds immediately following the execution of this Agreement and execution of each Addendum. The notice of redemption shall be given in accordance with the 2003 Bond Legislation. The cost of giving the notice shall be paid by the City.

Section 6. All Obligations and Money and Proceeds Thereof Held in Trust. The Defeasance Trustee irrevocably agrees to hold the Escrow Obligations, the Substitute Obligations, if any, the principal thereof and interest thereon, and any other money it may receive pursuant to this Agreement and any reinvestments thereof made pursuant to Sections 8 and 9 hereof, in trust and separate at all times from all other funds and investments held by the Defeasance Trustee, solely for the purpose of making the payments described in Section 3. The City irrevocably conveys, transfers, and assigns to the Defeasance Trustee the Escrow Obligations, any Substitute Obligations, the principal thereof and the interest thereon, and any



other money and investments deposited with the Defeasance Trustee pursuant to this Agreement, for the purpose of making such payments. The Defeasance Trustee shall not sell, transfer, assign, or hypothecate any Escrow Obligations, reinvestments, or Substitute Obligations except pursuant to Sections 8, 9, 14 and 15 hereof.

Section 7. Reports and Notice of Insufficiency. The Defeasance Trustee shall submit a report to the City, at least semiannually, which report shall set forth the cash, Escrow Obligations, and any Substitute Obligations held hereunder by the Defeasance Trustee, the obligations which have matured and amounts received by the Defeasance Trustee by reason of such maturity, the interest earned on such obligations, a list of any investments or reinvestments made by the Defeasance Trustee in other obligations and the interest and/or principal derived therefrom, the amounts paid to the Fiscal Agent, and any other transaction of the Defeasance Trustee pertaining to its duties and obligations as set forth herein.

If the maturing principal of and interest on the Escrow Obligations, any Substitute Obligations and other money held by the Defeasance Trustee pursuant to this Agreement shall be insufficient or shall be projected to become insufficient at any time in the future to make the payments described in Section 3, the Defeasance Trustee shall give the City prompt notice of such insufficiency or projected insufficiency.

Section 8. Substitution of Different Government Obligations or Other Investments. The City reserves the right to substitute from time to time for Escrow Obligations initially purchased in accordance with Section 2 hereof, or for obligations purchased under this section, other noncallable, nonprepayable direct obligations of the United States of America and/or obligations unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest (the "Substitute Obligations"). Prior to effecting any such substitution, the City shall have obtained at its expense and delivered to the Defeasance Trustee:

(a) A verification by a nationally recognized independent certified public accounting firm acceptable to the Defeasance Trustee confirming that the maturing principal of and interest on the Substitute Obligations and any remaining Escrow Obligations to be held by the Defeasance Trustee in the defeasance escrow, if paid when due and assuming no reinvestment thereof, together with any other cash then held by the Defeasance Trustee, will be sufficient to carry out the Defeasance Plan and make all remaining payments described in Section 3; and

(b) An opinion from Foster Pepper PLLC, bond counsel to the City, its successor or other nationally recognized bond counsel to the City, that the disposition and substitution or purchase of such securities, under the statutes, rules, and regulations then in force and applicable to the Bonds, will not cause the interest on the Defeased Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Defeased Bonds.

If the verification delivered to the Defeasance Trustee pursuant to Section 8(a) shows that surplus money not needed to make the payments described in Section 3 will result from the sale, transfer, or other disposition of Escrow Obligations and the substitution of Substitute Obligations therefor, that surplus money at the written request of the City shall be released from the trust



estate and shall be transferred to the City to be used for any lawful City purpose, subject to any restrictions stated in the opinion of bond counsel required by Section 8(b).

Section 9. Reinvestment of Proceeds of Escrow and/or Substitute Obligations. The proceeds (principal and interest) and reinvestment proceeds of any Escrow Obligations and/or Substitute Obligations held by the Defeasance Trustee in accordance with this Agreement, which are not needed within five business days of the receipt thereof to make the payments described in Section 3, shall be reinvested by the Defeasance Trustee, but only upon receipt of written request of the City, on such date of receipt or the next business day. The City shall direct such reinvestment subject to the following conditions:

(a) Except as provided in subsection (c) below, the proceeds of such Escrow Obligations and/or Substitute Obligations shall be reinvested in Substitute Obligations at a yield that will not cause the composite yield on the defeasance escrow to exceed _____% during its term or such higher yield as may be directed by letter of instructions from the City to the Defeasance Trustee, but if the composite yield on the directed investments made pursuant to this Agreement would exceed _____%, such letter of instructions shall contain a verification of such composite yield and shall be based upon and accompanied by the opinion of Foster Pepper PLLC, bond counsel to the City, its successor, or other nationally recognized bond counsel to the City, approving reinvestment of such proceeds at such higher yield.

(b) The obligations in which such proceeds are reinvested shall mature in an amount at least equal to their purchase price on the date or dates directed by the City, but not later than the date (as shown by the then most recent certified public accountant verification) the principal thereof is needed to make the payments described in Section 3;

(c) If such proceeds, together with other funds remaining in trust, are insufficient to reinvest in the smallest denomination of such obligations or are required to be used to make payments described in Section 3 sooner than the shortest maturity available for such obligations, then those proceeds and funds either shall be converted to United States currency and retained or shall remain uninvested in the defeasance escrow and carried on the books of the Defeasance Trustee until required to make the payments described in Section 3, or until sufficient money is accumulated to permit the investment thereof; and

(d) "Yield," as used in paragraph (a) of this section with respect to the Escrow Obligations and Substitute Obligations, means that yield computed in accordance with and permitted by the Code applicable to the Defeased Bonds and the trust under this Agreement so as to preserve the exclusion from gross income for federal income tax purposes of the interest on the Defeased Bonds.

The Defeasance Trustee may make any and all investments permitted by the provisions of this Section through its own investment department or the investment departments of any of its affiliates.

Section 10. Amendments to Agreement. The Defeasance Trustee and the City recognize that the owners of the Defeased Bonds from time to time have a beneficial interest in the Escrow Obligations, the Substitute Obligations, and money to be held by the Defeasance Trustee as herein provided. Therefore, this Agreement and any Addendum are irrevocable and shall not be subject to amendment except for the purpose of clarifying any ambiguity herein, increasing the protection of the rights of the owners of the Defeased Bonds, or preserving the exclusion of the interest on the Defeased Bonds from gross income for federal income tax purposes, and only if such amendment is accompanied by an opinion addressed to the City and the Defeasance Trustee from Foster Pepper PLLC, its successor or other nationally recognized bond counsel to the City, to the effect that such change is necessary for one of the above reasons and does not detrimentally affect the owners of the outstanding Defeased Bonds or that it strengthens the protection of the owners of the Defeased Bonds and does not detrimentally affect the owners of the Defeased Bonds. If such amendment affects the amount of money and investments in the escrow account or the application thereof, prior to the amendment's taking effect there also shall be a verification by a nationally recognized independent certified public accounting firm satisfactory to the Defeasance Trustee to the effect that after such amendment the Escrow Obligations, Substitute Obligations, and other money in the escrow account will be sufficient to make the payments described in Section 3. A copy of such verification shall be delivered to the Defeasance Trustee.

Section 11. Limitation of Liability of Defeasance Trustee. None of the provisions contained in this Agreement shall require the Defeasance Trustee to use or advance its own funds in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Defeasance Trustee shall be under no liability for the payment of interest on any funds or other property received by it hereunder except to the extent the Defeasance Trustee is required by the express terms of this Agreement to invest such funds.

The Defeasance Trustee's liabilities and obligations in connection with this Agreement are confined to those specifically described herein. The Defeasance Trustee is authorized and directed to comply with the provisions of this Agreement and is relieved from all liability for so doing notwithstanding any demand or notice to the contrary by any party hereto. The Defeasance Trustee shall not be responsible or liable for the sufficiency, correctness, genuineness, or validity of the Escrow Obligations or the Substitute Obligations deposited with it; the performance or compliance by any party other than the Defeasance Trustee with the terms or conditions of any such instruments; or any loss which may occur by reason of forgeries, false representations, or the exercise of the Defeasance Trustee's discretion in any particular manner unless such exercise is negligent or constitutes willful misconduct.

If any controversy arises between the City and any third person, the Defeasance Trustee shall not be required to determine the same or to take any action in the premises, but it may institute, in its discretion, an interpleader or other proceedings in connection therewith as it may deem proper, and in following either course, it shall not be liable.

Section 12. City Deposit of Additional Money. The City agrees that it will deposit with the Defeasance Trustee in time to make the then current scheduled debt service payment the additional money specified in the Defeasance Trustee's notice of insufficiency given pursuant to Section 7 hereof.

Section 13. Remittance of Funds When Defeased Bonds Paid in Full. At such time as the Defeasance Trustee has received the representation of the City that all of the payments described in Section 3 have been made and the confirmation of such representation by the Fiscal Agent, together with such other evidence of such payments as shall be satisfactory to the City and the Defeasance Trustee, the Defeasance Trustee shall deliver forthwith or remit to the City any remaining Escrow Obligations, Substitute Obligations, and money held pursuant to this Agreement.

Section 14. Compensation of Defeasance Trustee. The payment arrangement heretofore made between the Defeasance Trustee and the City on compensation and expenses of the Defeasance Trustee for services rendered by it pursuant to the provisions of this Agreement is satisfactory to it and to the City, and no further payment to the Defeasance Trustee shall be required for such purpose. Such arrangement for compensation and expenses is intended as compensation for the ordinary services as contemplated by this Agreement, and if the Defeasance Trustee renders any service hereunder not provided for in this Agreement, or the Defeasance Trustee is made a party to or intervenes in any litigation pertaining to this Agreement or institutes interpleader proceedings relative hereto, the Defeasance Trustee shall be compensated reasonably by the City for such extraordinary services and reimbursed for all fees, costs, liability, and expenses (including reasonable attorneys' fees) occasioned thereby. The Defeasance Trustee shall not have a lien against or otherwise be compensated for its services and expenses from the money, Escrow Obligations, and Substitute Obligations held pursuant to this Agreement to make the payments described in Section 3.

Section 15. Successor Defeasance Trustee. The obligations assumed by the Defeasance Trustee pursuant to this Agreement may be transferred by the Defeasance Trustee to a successor if (a) the Defeasance Trustee has presented evidence satisfactory to the City and to Foster Pepper PLLC, its successor or other nationally recognized bond counsel to the City that the successor trustee meets the requirements of RCW 39.53.070, as now in effect or hereafter amended; (b) the City approves the appointment of the successor trustee; (c) the successor trustee has assumed all of the obligations of the Defeasance Trustee under this Agreement and has been compensated; and (d) all of the Escrow Obligations, reinvestments, Substitute Obligations, and money then held by the Defeasance Trustee pursuant to this Agreement have been duly transferred to such successor trustee.

Notwithstanding anything to the contrary contained in this Agreement, any company into which the Defeasance Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which the Defeasance Trustee is a party, or any company to which the Defeasance Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Defeasance Trustee without execution or filing of any paper or further act, if such company is eligible to serve as Defeasance Trustee under RCW 39.53.070.

Section 16. Miscellaneous. This Agreement is governed by Washington law without regard to the conflict of laws provisions thereof and may not be modified except by a writing signed by the parties and subject to the limitations of Section 10. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any

other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

Section 17. Notice to Rating Agencies. The Defeasance Trustee shall notify all national rating agencies maintaining (at the request of the City) a rating on the Defeased Bonds or the Bonds, in writing upon timely receipt of notice or evidence of either of the following circumstances:

(a) Prior to their taking effect, any amendments to this Agreement under Section 10, enclosing the proposed amendatory documents; and

(b) The holding (referred to in Section 16) that one or more provisions of this Agreement are invalid, illegal, or unenforceable in any respect, enclosing a copy of that holding.

Such notices shall be sent to the applicable rating agencies by first class mail to the addresses advised by those rating agencies.

Section 18. Counterparts. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement pursuant to due and proper authorization, all as of the date and year first above written.

THE CITY OF SEATTLE, WASHINGTON _____, as Defeasance Trustee

By _____
Title: _____

By _____
Title: _____



SCHEDULE A
INITIAL DEFEASED BONDS

Marion Oliver McCaw Hall (long) Defeased Bonds

<u>Maturity Year</u> <u>(August 1)</u>	<u>Par Amount</u> <u>Defeased*</u>	<u>Interest</u> <u>Rate</u>
2007		4.000%
2008		4.000%
2009		4.000%
2010		4.000%
2011		4.000%
2012		4.000%
2013		4.000%
2014		4.000%
2015		4.125%
2016		4.250%
2017		4.250%
2018		4.375%
2019		4.500%
2020		5.000%
2021		5.000%
2022		5.000%
2023		5.000%

Total Defeased

*represents a portion of the principal due on each maturity date of the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2003



#[USE THIS SCHEDULE FOR OPEN MARKET ESCROW]#

SCHEDULE B

**THE CITY OF SEATTLE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION IMPROVEMENT AND REFUNDING
BONDS, 2003**

ESCROW OBLIGATIONS

<u>TYPE*</u>	<u>MATURITY DATE</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>	<u>PURCHASE PRICE</u>
--------------	--------------------------	-----------------------	--------------------------	---------------------------

*#[insert description of abbreviation of type of security]#



#[USE THIS SCHEDULE FOR SLGS ESCROW]#

SCHEDULE B

THE CITY OF SEATTLE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION IMPROVEMENT AND REFUNDING
BONDS, 2003

ESCROW OBLIGATIONS

<u>TYPE*</u>	<u>MATURITY DATE</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>
--------------	--------------------------	-----------------------	--------------------------

*CERT - United States Treasury Certificate of Indebtedness--State and Local Government Series
NOTE - United States Treasury Note--State and Local Government Series



THE CITY OF SEATTLE, WASHINGTON

_____,
as Defeasance Trustee

By _____
Title: Director of Finance

By _____
Title: _____





EXHIBIT A

ADDENDUM NO. ____

THIS ADDENDUM is made and entered into as of the ____ day of _____, 20__ (the "Date of Closing"), by and between THE CITY OF SEATTLE, WASHINGTON (the "City"), a municipal corporation, and _____ of _____ (the "Defeasance Trustee"), as an Addendum to the Defeasance Trust Agreement dated as of the ____ day of _____, 20__ (the "Agreement"), by and between the City and the Defeasance Trustee relating to the defeasance of all or a portion of the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2003, a portion of the proceeds of which were used to fund the Marion Oliver McCaw Hall (long) project (the "Defeased Bonds").

WHEREAS, the Agreement authorized the execution of one or more Addenda to designate additional maturities of the Defeased Bonds to be defeased pursuant to the terms of the Agreement and to add Escrow Obligations and cash to the account of the City held by the Defeasance Trustee.

WHEREAS, all acts and proceedings required by law necessary to make this Addendum a valid and binding agreement for the uses and purposes set forth herein in accordance with its terms, have been done and taken, and the execution and delivery of this Addendum have been in all respects duly authorized;

NOW, THEREFORE, the City and the Defeasance Trustee agree:

Section 1. Definitions. All capitalized terms used but not defined in this Addendum shall have the meanings assigned to them in the Agreement.

Section 2. Designation of Defeased Bonds. Pursuant to Section 3(e) of the Defeasance Ordinance, the Defeased Bonds identified in Schedule A of this Addendum are hereby designated as "Defeased Bonds" for the purposes of the Agreement.

Section 3. Delivery of Money to Defeasance Trustee; Investment and Expenditure of Money. On the Date of Closing the City shall cause to be delivered to the Defeasance Trustee \$ _____, and the Defeasance Trustee shall apply \$ _____ to pay on behalf of the City the purchase and/or subscription prices of the Escrow Obligations identified in Schedule B of this Addendum, and \$ _____ to establish a beginning cash balance.

Section 4. All Other Provisions of Agreement. Except as and to the extent supplemented by this Addendum, all provisions of the Agreement shall remain in full force and effect.

Section 5. Counterparts. This Addendum may be executed in counterparts.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum pursuant to due and proper authorization, all as of the date and year first above written.



EXHIBIT B

Notice of Defeasance*
The City of Seattle, Washington
Limited Tax General Obligation Improvement and Refunding Bonds, 2003

NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds with respect to which, pursuant to the Defeasance Trust Agreement dated as of _____, by and between The City of Seattle, Washington (the "City"), and _____ (the "Defeasance Trustee"), there has been deposited into an escrow account, held by the Defeasance Trustee, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money to pay each year, to and including the respective maturity dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to Section __ of Ordinance _____ of the City relating to the Defeased Bonds, but will be paid by application of the assets in such escrow account.

The Defeased Bonds are described as follows:

The City of Seattle, Washington
Limited Tax General Obligation Improvement and Refunding Bonds, 2003
(Dated February 1, 2003)

<u>Maturity Date</u> <u>(August 1)</u>	<u>Par Amount</u> <u>Defeased</u>	<u>Interest</u> <u>Rate</u>	<u>Call Date</u> <u>(at 100%)</u>	<u>CUSIP</u> <u>Nos.</u>
2007		4.000%		
2008		4.000%		
2009		4.000%		
2010		4.000%		
2011		4.000%		
2012		4.000%		
2013		4.000%		
2014		4.000%		
2015		4.125%		
2016		4.250%		
2017		4.250%		
2018		4.375%		
2019		4.500%		
2020		5.000%		
2021		5.000%		
2022		5.000%		
2023		5.000%		

_____, as Defeasance Trustee

Dated: _____

* This notice shall be given immediately by first class mail to each registered owner of the Defeased Bonds and to each Nationally Recognized Municipal Securities Information Repository and the Depository Trust Company of New York, New York.



EXHIBIT C

Notice of Redemption*

The City of Seattle, Washington Limited Tax General Obligation Improvement and Refunding Bonds, 2003

NOTICE IS HEREBY GIVEN that The City of Seattle, Washington, has called for redemption on August 1, 2013, a portion of its then-outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus accrued interest to August 1, 2013. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

[By Mail or in Person]

-or-

[In Person Only]

The Bank of New York
Fiscal Agency Department
Ground Floor
101 Barclay Street, 7 East
New York, NY 10286

Any branch of Wells Fargo
Bank, National Association in the
State of Washington

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on August 1, 2013.

The following Bonds are being redeemed:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Par Amount</u> <u>Defeased</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Nos.</u>
2007		4.000%	
2008		4.000%	
2009		4.000%	
2010		4.000%	
2011		4.000%	
2012		4.000%	
2013		4.000%	
2014		4.000%	
2015		4.125%	
2016		4.250%	
2017		4.250%	
2018		4.375%	
2019		4.500%	
2020		5.000%	

* This notice shall be given not less than 30 nor more than 60 days prior to August 1, 2013, by first class mail, postage prepaid, to each registered owner of the redeemed bonds. In addition, notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's at their offices in New York, New York; JP Morgan Securities, Inc. at its principal office in Seattle, Washington; and The Depository Trust Company of New York, New York, and each NRMSIR.



2021	5.000%
2022	5.000%
2023	5.000%

By Order of The City of Seattle, Washington

The Bank of New York, as Paying Agent

Dated: _____

Under Section 3406(a)(1) of the Internal Revenue Code the Registrar may be obligated to withhold a percentage of the principal of a holder who has failed to furnish the Registrar with a valid taxpayer identification number and a certification that the owner is not subject to backup withholding. Owners who wish to avoid the application of these provisions should submit a completed IRS Form W-9 when presenting their certificates for payment.



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Department of Finance	Michael vanDyck, 684-8347 Ned Dunn, Seattle Center, 684-7212	Mambo Emedi, 233-2651

Legislation Title:

AN ORDINANCE providing for the defeasance and redemption of certain of the City's outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003; creating and transferring funds into a defeasance account in the Bond Fund; authorizing the execution of a defeasance trust agreement; authorizing the purchase of certain investments and the use of their proceeds; authorizing the call for redemption prior to maturity of defeased bonds; and appropriating amounts in the defeasance account to carry out the defeasance, all by a three-fourths vote of the City Council.

• **Summary of the Legislation:**

This legislation authorizes a partial defeasance of 2003 limited tax general obligation bonds allocable to the McCaw Hall construction project. In a defeasance, cash is placed in escrow and invested in a portfolio of securities (typically state and local government securities, treasuries, etc.), the income from which is used to pay the debt service on certain bonds. As a consequence, the City is relieved from the debt service on these bonds. The source of funds for the partial defeasance of the 2003 McCaw Hall long-term bonds will be the cash balance at the end of 2006 in the 1999 Seattle Center/Community Centers Fund, Seattle Center Subfund, after end-of-year private pledges for McCaw Hall have been received, together with McCaw Hall Matching Funds from the sale of Lot 2. The legislation authorizes the use of up to \$2.3 million for the defeasance. The actual amount of the defeasance will depend on the amount of private pledge payments for McCaw Hall received by the end of the year.

• **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

In 2003, the City issued \$27 million in bonds to provide interim financing for the construction of McCaw Hall. Approximately \$18 million of this debt was short-term, and was paid off last year from a combination of state, King County and private funding contributions for McCaw Hall. The other \$9 million in interim financing was in the form of 20-year bonds. Approximately \$680,000 of annual debt service on these long-term bonds



was paid by the McCaw Hall capital project through mid-2005. Since that time, the debt service on the 2003 long-term McCaw Hall bonds has been paid 50% by the two resident tenants of McCaw Hall – the Seattle Opera and Pacific Northwest Ballet (25% each) and 50% by the City’s General Fund, pursuant to an add by the City Council to the 2005-2006 budget for this purpose. In February 2005, the City Council authorized the sale of the Seattle Center 5th Avenue parking lot (“Lot 2”) to be the future home of the Bill & Melinda Gates Foundation. The City Council further authorized that \$4 million of the proceeds from the sale of Lot 2 be used as matching funds, on a 1 for 2 basis, for additional public or private commitments received for the McCaw Hall capital project. To date, additional funding commitments for McCaw Hall have been received to make eligible the use of \$2,256,425 of Lot 2 matching funds.

By the end of 2006, all McCaw Hall project expenses will have been paid, all short-term financing will have been paid off, additional private pledge payments will have been received and, with the closing of the Lot 2 sale in November or December, the Lot 2 matching funds for McCaw Hall will be released. At that time, there will be up to \$2.3 million available in the 1999 Seattle Center/Community Centers Fund to apply towards a partial defeasance of the \$9M in 2003 long-term bonds for McCaw Hall. This cash is expected to be sufficient to defease up to about \$2.2 million of the 2003 bonds, thereby reducing the City’s annual debt service by an estimated \$180,000.

- *Please check one of the following:*

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

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2006 Appropriation	2007 Anticipated Appropriation
Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund (20135)	DEA	9CR35	\$2,300,000	N/A
TOTAL			\$2,300,000	

**See budget book to obtain the appropriate Budget Control Level for your department.*

Notes:

Up to \$2.3 million will be transferred, as authorized by this legislation, from the 1999 Seattle Center/Community Centers Fund to the newly created Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund. The funds will be appropriated from this new account in order to be deposited to a financial institution for the defeasance of 2003 long-term McCaw Hall bonds.

Anticipated Revenue/Reimbursement: Resulting From This Legislation: *This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.*

Fund Name and Number	Department	Revenue Source	2006 Revenue	2007 Revenue
N/A				
TOTAL				

Notes:



Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE

Impact: This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below the table.

Position Title and Department*	Fund Name	Fund Number	Part-Time/Full Time	2006 Positions	2006 FTE	2007 Positions**	2007 FTE**
N/A							
TOTAL							

* List each position separately

** 2007 positions and FTE are total 2007 position changes resulting from this legislation, not incremental changes. Therefore, under 2007, please be sure to include any continuing positions from 2006

Notes:

- **Do positions sunset in the future?** (If yes, identify sunset date):

N/A

Spending/Cash Flow: This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.

Fund Name and Number	Department	Budget Control Level*	2006 Expenditures	2007 Anticipated Expenditures
Marion Oliver McCaw Hall (long) Defeasance Account of the Bond Interest and Redemption Fund(20135)	DEA	9CR35		\$2,300,000
TOTAL				\$2,300,000

* See budget book to obtain the appropriate Budget Control Level for your department.

Notes: The deposit of funds to a financial institution for the defeasance will occur in the first quarter of 2007.



- **What is the financial cost of not implementing the legislation?** *(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)*

An estimated \$180,000 in reduction of the City's debt service obligation for the 2003 McCaw Hall long-term bonds will not be realized, and a significant additional financial burden will be placed on the Seattle Opera and Pacific Northwest Ballet. (Note: While the debt service on the 2003 long-term McCaw Hall bonds is ultimately an obligation of the City, under the current agreement between the City and the Seattle Opera and Pacific Northwest Ballet, 50% of the debt service on the 2003 McCaw Hall long-term bonds is paid by the Ballet and Opera through 2006. The debt service reopener provision in the agreement will be revisited in 2007.)

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** *(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)*

DOF considered an "informal defeasance" whereby the City would simply place the cash in the Bond Interest and Redemption Fund and invest it with the City's consolidated cashpool. Unfortunately, there would be no certainty about how much interest the City would earn and consequently no certainty about how many bonds could be defeased. Alternatively, in a formal defeasance, interest earnings are known at the time of the defeasance.

Is the legislation subject to public hearing requirements: *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

No.

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

The Seattle Center Foundation, in conjunction with the Seattle Opera and Pacific Northwest Ballet, continues to seek additional funding for the McCaw Hall capital project from the State of Washington and King County. Funds that come in during 2007, including private pledge payments, additional State and County funds, and Lot 2 matching funds, can be used for additional defeasance of the McCaw Hall bonds in 2008.

Please list attachments to the fiscal note below:

None.



City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

September 25, 2006

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

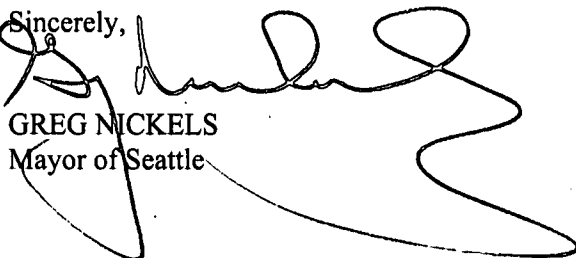
Dear Council President Licata:

I am pleased to transmit the attached proposed Council Bill authorizing a partial defeasance of approximately \$2.2 million of 2003 limited tax general obligation bonds allocable to the McCaw Hall construction project, thereby reducing the City's annual debt service by approximately \$180,000.

In 2003, the City issued \$27 million in bonds to provide interim financing for the construction of McCaw Hall, \$18 million of which was short-term debt that was paid off last year from a combination of state, King County, and private funding contributions. The other \$9 million in interim financing was in the form of 20-year bonds. Approximately \$680,000 of annual debt service on these long-term bonds was paid by the McCaw Hall capital project through mid-2005. Since that time, the debt service on the 2003 long-term McCaw Hall bonds has been paid by the two resident tenants of McCaw Hall – the Seattle Opera and Pacific Northwest Ballet, and by the General Fund, pursuant to a City Council add to the 2005-2006 Budget for this purpose. By the end of 2006, all McCaw Hall project expenses will have been paid, all short-term financing will have been paid off, additional private pledge payments will have been received and, with the closing of the Lot 2 sale in November or December, the Lot 2 matching funds for McCaw Hall will be released. At that time, there will be sufficient cash in the 1999 Seattle Center/Community Centers Fund to defease up to \$2.2 million of the 2003 long-term bonds. The Seattle Center Foundation, in conjunction with the Seattle Opera and Pacific Northwest Ballet, continues to seek additional funding for the McCaw Hall capital project from the State of Washington and King County. Funds that come in during 2007, including private pledge payments, additional State and County funds, and Lot 2 matching funds, can be used for additional defeasance of the McCaw Hall bonds in 2008.

Thank you for your consideration of this legislation. Should you have questions, please contact Ned Dunn at the Seattle Center (684-7212) or Michael Van Dyck in the Department of Finance (684-8347).

Sincerely,


GREG NICKELS
Mayor of Seattle

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, E:mail: mayors.office@seattle.gov

An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.



STATE OF WASHINGTON – KING COUNTY

--SS.

205047
CITY OF SEATTLE, CLERKS OFFICE

No.

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:122294 ORDINANCE

was published on

12/04/06

The amount of the fee charged for the foregoing publication is the sum of \$ 524.40, which amount has been paid in full.



[Signature]

Subscribed and sworn to before me on
12/04/06 *[Signature]*

Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication

State of Washington, King County

City of Seattle

ORDINANCE 122284

AN ORDINANCE providing for the defeasance and redemption of certain of the City's outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003; creating and transferring to the Defeasance Account in the Bond Fund; authorizing the execution of a defeasance trust agreement...

WHEREAS, pursuant to Ordinance 120879, passed by the City Council on November 18, 2002, and Resolution 30871, adopted by the City Council on February 5, 2003...

WHEREAS, there is presently outstanding \$7,860,000 in principal amount of the McCaw Hall Bonds maturing on August 1 of each of the years 2007 through 2023...

WHEREAS, pursuant to the 2003 Bond Legislation, the City reserved the right to use money available from any lawful source to pay when due the principal of and interest on all or any portion of the 2003 Bonds...

WHEREAS, the City has determined it is in its best interest to effect a debt service savings on the McCaw Hall Bonds by providing for the defeasance and redemption...

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

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

"Addendum" means an Addendum to the Defeasance Trust Agreement substantially in the form of Exhibit A hereto...

"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...

"Bond Fund" means the City's Bond Interest and Redemption Fund, previously created and established and to be used for the payment of the principal of, premium, if any, and interest on the 2003 Bonds.

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

"City Council" means the City Council of the City, as duly and regularly constituted from time to time.

"Defeasance Account" means the McCaw Hall Defeasance Account created in the Bond Fund pursuant to Section 2 of this ordinance.

"Defeasance Plan" means: (a) the placement with the Defeasance Trustee of money of the City, as budgeted and available from time to time from payments to the City by the Seattle Opera and the Pacific Northwest Ballet...

(b) the payment of the principal of and interest on the Defeased Bonds when due up to and including August 1, 2013, and on August 1, 2013, to call, pay and redeem all of the then-outstanding Defeased Bonds at a price of par plus accrued interest...

(c) the payment of the costs of carrying out the foregoing elements of the Defeasance Plan.

"Defeasance Trust Agreement" means a Defeasance Trust Agreement between the City and the Defeasance Trustee (including Addenda thereto) substantially in the form attached hereto as Attachment 1 and by this reference incorporated herein...

"Defeasance Trustee" means the defeasance trustee hereafter selected by the Director of Finance, and any successor thereto, as defeasance trustee under the Defeasance Trust Agreement.

"Defeased Bonds" means those McCaw Hall Bonds identified by the Director of Finance in Schedule A to the Defeasance Trust Agreement and in Schedule A to any Addendum, which maturities or portions thereof shall be selected by the Director of Finance (and randomly within a maturity) in denominations of \$5,000 or any integral multiple thereof.

"Director of Finance" means the director of the Department of Finance of the City, and any successor to substantially the same duties.

"Escrow Obligations" means Government Obligations purchased to accomplish the defeasance of the Defeased Bonds as authorized by this ordinance.

"Government Obligations" means noncallable direct obligations of the United States of America.

"McCaw Hall" means Marion Oliver McCaw Hall owned by the City.

"McCaw Hall Bonds" means the portion of the 2003 Bonds allocable to the financing of the Marion Oliver McCaw Hall Project (long) currently outstanding in the total principal amount of \$7,860,000.

"2003 Bond Legislation" means Ordinance 120879, passed by the City Council on November 18, 2002, and Resolution 30871, adopted by the City Council on February 5, 2003.

"2003 Bonds" means the City's outstanding Limited Tax General Obligation Improvement and Refunding Bonds, 2003, dated February 1, 2003.

Section 2. Defeasance Account. There is hereby authorized to be created in the Bond Fund, a special account to be designated the "McCaw Hall Defeasance Account," which account shall be maintained for the sole purpose of implementing the Defeasance Plan. The City Council hereby authorizes and directs the Director of Finance to transfer to the Defeasance Account all amounts so specified, from time to time, by the City Council for the defeasance of the McCaw Hall Bonds...

The City may, from time to time, transfer, or cause to be transferred, from the Defeasance Account any money not thereafter required for the purposes of carrying out the Defeasance Plan.

Section 3. Defeasance of Defeased Bonds.

Appointment of Defeasance Trustee. The Director of Finance is hereby authorized and directed to appoint a Defeasance Trustee and to negotiate, and to execute an agreement for, appropriate financial terms.

Acquisition of Escrow Obligations. From time to time, a sufficient amount of money on deposit in the Defeasance Account shall be transferred to the Defeasance Trustee to be used to discharge the obligations of the City relating to the Defeased Bonds under the 2003 Bond Legislation by providing for the payment of the amounts required to be paid by the Defeasance Plan. To the extent practicable, such obligations shall be discharged fully by the Defeasance Trustee's simultaneous purchase of the Escrow Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Defeasance Plan...

Substitution of Escrow Obligations. After the purchase of the Escrow Obligations by the Defeasance Trustee, the City reserves the right to substitute therefore cash or Substitute Obligations subject to the conditions that such money or securities held by the Defeasance Trustee shall be sufficient to carry out the Defeasance Plan and that the City obtain, at its expense, (i) a verification by a nationally recognized independent certified public accounting firm acceptable to the Defeasance Trustee confirming that the payments of principal of and interest on the Escrow Obligations, if paid when due, and any other money held by the Defeasance Trustee will be sufficient to carry out the Defeasance Plan; and (ii) an opinion of Bond Counsel to the effect that the interest on the Defeased Bonds will remain excluded from gross income for federal income tax purposes under Sections 103 and 148 of the Code. Such Escrow Obligations are subject to substitution as set forth below.

Administration of Defeasance Plan. The Defeasance Trustee is authorized and directed to purchase the Escrow Obligations (or substitute obligations) and to make the payments required to be made by the Defeasance Plan from the Escrow Obligations (or substitute obligations) and money deposited with the Defeasance Trustee pursuant to this ordinance. All Escrow Obligations (or substitute obligations) and the money deposited with the Defeasance Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the 2003 Bond Legislation, this ordinance and the Defeasance Trust Agreement. All necessary and proper fees, compensation, and expenses of the Defeasance Trustee for costs incidental to the setting up of the escrow of accomplish the defeasance of the Defeased Bonds, including verification fees, bond counsel's fees, and other related expenses, shall be paid by the City.

Authorization for Defeasance Trust Agreement and Addenda. The Director of Finance is authorized and directed to enter into a Defeasance Trust Agreement with the Defeasance Trustee. The Director of Finance is further authorized and directed to enter into one or more Addenda to the Defeasance Trust Agreement when, based on budgeted amounts and/or interest earnings, he determines that there is sufficient money on deposit in the Defeasance Account to invest in Escrow Obligations sufficient, together with a beginning cash balance, if necessary, to defease additional McCaw Hall Bonds. The Director of Finance is authorized to identify those additional Defeased Bonds and to obtain, at City expense, (i) a verification from an independent nationally recognized certified public accounting firm acceptable to the Defeasance Trustee confirming that the payment of principal of and interest on those additional Escrow Obligations, if paid when due, and any other money held by the Defeasance Trustee for that purpose, will be sufficient to carry out the new portion of the Defeasance Plan; and (ii) an opinion of Bond Counsel to the effect that the interest on the Defeased Bonds will remain excluded from gross income for federal income tax purposes under Sections 103 and 148 of the Code.

Section 4. Findings and Determinations Concerning Defeasance Plan.

The City Council finds and determines that it is in the best interest of the City and its taxpayers that the City carry out the Defeasance Plan and hereby ratifies and approves the Defeasance Plan.

Section 5. Call for Redemption of the Defeased Bonds.

The City calls for redemption of the Defeased Bonds on August 1, 2013, all of the then-outstanding Defeased Bonds at a price of par plus accrued interest, if any. Such call for redemption shall be irrevocable after the establishment of a sufficient escrow provided by the Defeasance Agreement.

Section 6. Appropriation.

In order to carry out the Defeasance Plan and to pay for necessary costs and expenses incurred or to be incurred, the appropriation for the following in the 2006 Budget is increased from the fund shown as follows:

Fund -- Department -- Budget Control Level -- Maximum Amount

McCaw Hall Defeasance Account of the Bond Interest and Redemption Fund 20135 -- DEA -- 9CR35 -- \$2,300,000

Section 7. Transfer.

To support the appropriation made in Section 6 above, the Director of Finance and the Director of Seattle Center are authorized to transfer to the Defeasance Account up to the amount specified as follows, for the defeasance of the Defeased Bonds:

Fund -- Maximum Amount Transferred

McCaw Hall Defeasance Account of the Bond Interest and Redemption Fund 20135 -- \$2,300,000 transferred in

1999 Seattle Center/Community Center Fund, Seattle Center Subfund (33910) -- \$2,300,000 transferred out

Section 8. General Authorization.

The Mayor and the Director of Finance and each of the other appropriate officers of the City are each authorized and directed to do everything as in their judgment may be necessary, appropriate, or desirable in order to carry out the terms and provisions of and complete the transactions contemplated by, this ordinance.

Section 9. 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 10. Ratification of Prior Acts.

Any action taken consistent with the authority of this ordinance but between its passage and the effective date is ratified, approved and confirmed.

Section 11. Headings.

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

Section 12. Effective Date.

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

Passed by the City Council the 20th day of November, 2006, and signed by me in open session in authentication of its passage this 20th day of November, 2006.

Nick Licata

President of the City Council

Approved by me this 22nd day of November, 2006.

Gregory J. Nickels, Mayor

Filed by me this 22nd day of November, 2006.

(Seal) Judith Pippin

City Clerk

Attachment 1 - Defeasance Trust Agreement

Schedule A - Initial Defeased Bonds