

RESOLUTION No. 30832

A RESOLUTION providing for the sale and issuance of The City of Seattle, Washington, Water System Revenue Refunding Bonds, 2005; specifying the amount, maturities, interest rates and other terms of the bonds; providing for the refunding of certain of the City's outstanding water system revenue bonds; providing for the call, payment and redemption of the outstanding bonds to be refunded; appointing a refunding trustee and approving the forms and execution of a refunding trust agreement; authorizing the purchase of certain obligations and the use and application of money derived from those obligations; and ratifying, confirming and approving the notice of bond sale and the actions of the Director of Finance relating to the sale of the bonds.

Introduced:	DEC 14 2005	By:	DRAGO
Referred:	DEC 14 2005	To:	FULL COUNCIL
Referred:		To:	
Reported:	12-14-05		
Passed:	12-14-05	Signed:	12-14-05
Filed:	12/14/05	Published:	Full

US5171

Special Meeting

12-14-05 Adopted 5-0

(Excused: ~~Datta~~, Compton, Conlin, Rasmussen)

Full Text Available  
12/14/05  
(5)



## RESOLUTION 30832

A RESOLUTION providing for the sale and issuance of The City of Seattle, Washington, Water System Revenue Refunding Bonds, 2005; specifying the amount, maturities, interest rates and other terms of the bonds; providing for the refunding of certain of the City's outstanding water system revenue bonds; providing for the call, payment and redemption of the outstanding bonds to be refunded; appointing a refunding trustee and approving the forms and execution of a refunding trust agreement; authorizing the purchase of certain obligations and the use and application of money derived from those obligations; and ratifying, confirming and approving the notice of bond sale and the actions of the Director of Finance relating to the sale of the bonds.

WHEREAS, pursuant to Ordinance 121939 (the "Bond Ordinance"), The City of Seattle, Washington (the "City") authorized the issuance of water system refunding bonds (the "Bonds") for the purpose of providing all or a part of the funds with which to pay the cost of refunding, defeasing, or refunding and defeasing, certain water system Refundable Bonds included in a Refunding Plan (each as defined in the Bond Ordinance) and to pay all or part of the costs of issuing and selling the Bonds; and

WHEREAS, the Bond Ordinance authorized the Director of Finance to conduct a public or negotiated sale of the Bonds and to recommend to the City Council for its approval by resolution the interest rates and other terms and matters relating to the Bonds consistent with the Bond Ordinance; and

WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement dated December 5, 2005 (the "Preliminary Official Statement") for the public sale of the Bonds has been prepared, an official notice of that sale (the "Notice of Bond Sale") was given, a revised official bid form for that sale was distributed, bids have been received in accordance with the Notice of Bond Sale, and the proposed sale of the Bonds to Merrill Lynch & Co. (the "Purchaser") has been recommended to the City Council for its approval with the interest rates and other terms of and matters relating to the Bonds set forth in this resolution; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE THAT:

Section 1. Definitions. The meaning of capitalized terms used and not otherwise defined in this resolution shall be as set forth in the Bond Ordinance.

Acquired Obligations means those "Acquired Obligations" (as such term is defined in the Bond Ordinance) purchased to accomplish the refunding of the Refunded Bonds as authorized by this resolution.

1        Bond Ordinance means Ordinance 121939 of the City authorizing the issuance of the Bonds.

2        Refunded Bond Legislation means Ordinances 118512 and 119649 and Resolutions 29553  
3 and 30057 of the City.

4        Refunded Bonds means, collectively, the 1997 Refunded Bonds and the 1999B Refunded  
5 Bonds, as such bonds are identified and defined in Exhibit A attached hereto.

6        Refunding Plan means:

7            (a)     the placement of sufficient proceeds of the Bonds, which, with other money of the  
8 City, if necessary, will acquire the Acquired Obligations to be deposited, with cash, if necessary,  
9 with the Refunding Trustee;

10           (b)     the payment of the interest on the 1997 Refunded Bonds when due up to and  
11 including August 1, 2007, and the call, payment and redemption on August 1, 2007, of all of the  
12 outstanding 1997 Refunded Bonds at a price of 102% of par; and

13           (c)     the payment of the interest on the 1999B Refunded Bonds when due up to and  
14 including July 1, 2009, and the call, payment and redemption on July 1, 2009, of all of the  
15 outstanding 1999B Refunded Bonds at a price of 101% of par.

16        Refunding Trust Agreement means the Refunding Trust Agreement between the City and the  
17 Refunding Trustee relating to the Refunded Bonds, substantially in the form attached hereto as  
18 Exhibit F.

19        Refunding Trustee means U.S. Bank National Association, serving as trustee or escrow agent  
20 or any successor trustee or escrow agent.

21        Section 2.     The Bonds. The Bonds shall be issued in the aggregate principal amount of  
22 \$138,040,000. The Bonds shall be called "The City of Seattle, Washington, Water System Revenue  
23 Refunding Bonds, 2005." The Bonds shall be in the denomination of \$5,000 or any integral multiple  
24 thereof within a single maturity; shall be dated their date of initial delivery to the Purchaser; shall be  
25 registered as to both principal and interest; and shall bear interest from their date until the Bonds  
26

bearing such interest have been paid or their payment has been duly provided for, payable semiannually on each March 1 and September 1, commencing March 1, 2006; and shall mature on September 1 of the following years and in the following amounts and shall bear interest as follows:

<u>Maturities</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2006	\$ 2,395,000	5.00%
2007	295,000	4.00
2008	1,650,000	4.00
2009	1,710,000	5.00
2010	4,390,000	5.00
2011	4,600,000	5.00
2012	4,820,000	5.00
2013	5,050,000	5.00
2014	5,285,000	5.00
2015	5,540,000	5.00
2016	5,805,000	5.00
2017	6,090,000	5.00
2018	6,385,000	5.00
2019	6,695,000	5.00
2020	7,025,000	5.00
2021	7,380,000	5.00
2022	7,745,000	5.00
2023	8,130,000	5.00
2024	8,540,000	5.00
2025	8,955,000	5.00
2026	9,395,000	5.00
2029	20,160,000	4.625

Portions of the above maturity amounts are allocated to carrying out the Refunding Plan, including a ratable share of proceeds used to pay the costs of issuance of the Bonds, in accordance with the schedule set forth in Exhibit B attached hereto.

Section 3. Optional Redemption. Bonds maturing on or before September 1, 2015 shall be issued without the right or option of the City to redeem those Bonds prior to their stated maturity dates. The City reserves the right and option to redeem Bonds maturing on and after September 1, 2016, prior to their stated maturity dates, at any time on and after September 1, 2015 as a whole or in part within one or more maturities to be selected by the City (in the manner specified in the Bond Ordinance) at par plus accrued interest, if any, to the date fixed for redemption.



1        Section 4.    Mandatory Redemption. Bonds maturing in the year 2029 are designated as  
2 Term Bonds and, if not redeemed under the optional redemption provisions set forth above or  
3 purchased in the open market under the provisions set forth in Section 8(d) of the Bond Ordinance,  
4 shall be called for redemption in accordance with Section 8(b) of the Bond Ordinance at par plus  
5 accrued interest on September 1 in years and amounts as follows:

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2027	\$6,425,000
2028	6,715,000
2029 (maturity)	7,020,000

9        Section 5.    Form of Bonds. The Bonds shall be substantially in the form attached hereto  
10 as Exhibit C.

11        Section 6.    Sale and Delivery of Bonds. The City finds that the sale and delivery of the  
12 Bonds to Merrill Lynch & Co. (the "Purchaser") at the interest rates and under the conditions set  
13 forth in the Bond Ordinance, this resolution, the Notice of Bond Sale attached hereto as Exhibit D,  
14 and the electronic bid of the Purchaser, a printed copy of which is attached hereto as Exhibit E, is in  
15 the City's best interest and therefore approves, confirms and ratifies the award of the Bonds to the  
16 Purchaser.

17        Section 7.    Authorization of Official Statement. The Director of Finance is hereby  
18 authorized and directed to review and approve on behalf of the City a final official statement (the  
19 "Official Statement") with respect to the Bonds, substantially in the form of the Preliminary Official  
20 Statement and supplemented or amended as he, with the approval of Bond Counsel, deems necessary  
21 or appropriate.

22        Section 8.    Use of Bond Proceeds; Refunding Plan. The principal proceeds of the Bonds  
23 received by the City and, if necessary, other money of the City shall be applied as follows (the  
24 amounts to be determined by the Director of Finance prior to the issuance of the Bonds): (i) an  
25 amount sufficient to carry out the Refunding Plan shall be deposited immediately upon the receipt  
26

1 thereof with the Refunding Trustee and used to discharge the obligations of the City relating to the  
2 Refunded Bonds under the Refunded Bond Legislation pursuant to the Refunding Plan, as defined  
3 herein and modified or amplified by the Refunding Trust Agreement, and (ii) the balance of the  
4 Bond proceeds shall be deposited in the account(s) within the Water Fund as designated by the  
5 Director of Finance and shall be used to pay costs of issuing the Bonds and for the purposes  
6 described in the Bond Ordinance.

7 The Refunding Plan shall be carried out, and proceeds of the Bonds shall be applied, in  
8 accordance with the Bond Ordinance, the Refunded Bond Legislation, the Refunding Trust  
9 Agreement, this resolution and the laws of the State.

10 Section 9. Calls for Redemption of the Refunded Bonds. In accordance with the  
11 Refunded Bond Legislation, as a part of the Refunding Plan the City calls the Refunded Bonds for  
12 redemption on the call dates and at the redemption prices set forth in the Refunding Plan, plus  
13 accrued interest to the date of redemption.

14 Such calls for redemption shall be irrevocable after the delivery of the Bonds to the  
15 Purchaser.

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

19 Section 10. City Findings With Respect to Refunding. The City finds and determines that  
20 the issuance and sale of the Bonds will effect a savings to the City and its ratepayers. In making  
21 such finding and determination, the City has given consideration to the fixed maturities and  
22 scheduled redemptions of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds,  
23 and the known earned income from the investment of the proceeds of the issuance and sale of the  
24 Bonds and other money, if any, of the City used in the Refunding Plan pending payment and  
25 redemption of the Refunded Bonds. The City further finds and determines that the money to be  
26

1 deposited with the Refunding Trustee for the Refunded Bonds in accordance with the Bond  
2 Ordinance and this resolution will discharge and satisfy the obligations of the City with respect to  
3 the Refunded Bonds under the Refunded Bond Legislation, and the pledges, charges, trusts,  
4 covenants and agreements of the City therein made or provided for as to the Refunded Bonds, and  
5 that the Refunded Bonds shall no longer be deemed to be outstanding under such Refunded Bond  
6 Legislation immediately upon the deposit of such money with the Refunding Trustee.

7 Section 11. Appointment of Refunding Trustee and Authorization of Refunding Trust  
8 Agreement. The Bank of New York is appointed as Refunding Trustee. The Director of Finance is  
9 authorized and directed to execute and deliver to the Refunding Trustee the Refunding Trust  
10 Agreement with such modifications as the Director of Finance determines are necessary and  
11 appropriate and are consistent with the Bond Ordinance and this resolution.

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

23 Section 13. Undertaking to Provide Continuing Disclosure. This Section constitutes the  
24 written undertaking (the "Undertaking") for the benefit of the holders of the Bonds as required by  
25 paragraph (b)(5) of SEC Rule 15c2-12 (the "Rule"), and pursuant to the Bond Ordinance. For  
26



1 purposes of this Undertaking, the term "holders of the Bonds" shall have the meaning intended for  
2 such term under the Rule. The City as an "obligated person" within the meaning of the Rule  
3 undertakes to provide or cause to be provided, either directly or through a designated agent:

4 (a) To each nationally recognized municipal securities information repository designated  
5 by the SEC in accordance with the Rule (each "NRMSIR"), and to a state information depository, if  
6 one is established in the State of Washington and recognized by the SEC (the "SID"), annual  
7 financial information and operating data regarding the Municipal Water System of the type included  
8 in the Official Statement for the Bonds as follows: (i) annual financial statements of the Municipal  
9 Water System, prepared in accordance with generally accepted accounting principles applicable to  
10 governmental units (except as otherwise noted therein), as such principles may be changed from  
11 time to time and as permitted by State law, which statements will not be audited, except that if and  
12 when audited financial statements are otherwise prepared and available to the City they will be  
13 provided; (ii) a statement of authorized, issued and outstanding bond debt secured by the Net  
14 Revenue of the Municipal Water System; (iii) debt service coverage ratios; (iv) summary operating  
15 statistics for the Municipal Water System, including population served, water sales revenue and  
16 billed water use; and (v) current water rates.

17 Annual financial information, as described above, will be provided to each NRMSIR and the  
18 SID, not later than the last day of the ninth month after the end of each fiscal year of the City  
19 (currently, a fiscal year ending December 31), as such fiscal year may be changed as permitted or  
20 required by State law, commencing with the City's fiscal year which ends December 31, 2005. The  
21 annual financial information may be provided in a single or in multiple documents, and may be  
22 incorporated by reference from other documents, including official statements of debt issues with  
23 respect to which the City is an obligated person as defined by the Rule, which documents have been  
24 filed with each NRMSIR and the SID. If the document incorporated by reference is a "final official  
25  
26

statement" (as defined by the Rule) with respect to which the City is an obligated person it must be available from the Municipal Securities Rulemaking Board ("MSRB").

(b) To each NRMSIR or to the MSRB, and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to the rights of the holders of the Bonds; (viii) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes.

(c) To each NRMSIR or to the MSRB and to the SID timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (a) above.

This Undertaking may be amended without the consent of any holder of any Bond, any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule. The City will give notice to each NRMSIR or the MSRB, and to the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information being provided.

If the City fails to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the City learns of that failure. No failure by the City or other obligated person to comply with this Undertaking shall constitute a

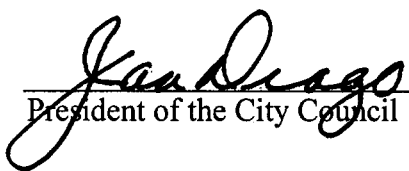
modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 17. Ratification of Prior Acts. All acts taken pursuant to the authority of this resolution but prior to its effective date are ratified, approved and confirmed.

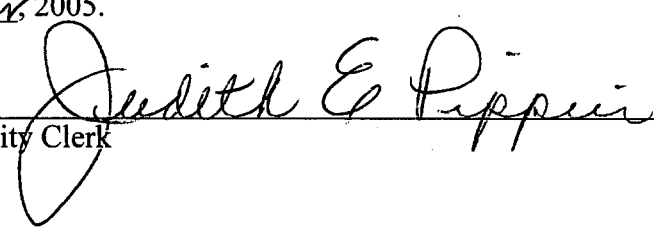
Section 18. Incorporation by Reference. Each of Exhibit A, Exhibit B, Exhibit C, Exhibit D, Exhibit E, and Exhibit F attached to this resolution is by this reference incorporated herein.

Section 19. Section Headings. Section headings in this resolution are used for convenience only and shall not constitute a substantive portion of this resolution.

ADOPTED by the City Council the 14th day of December, 2005, and signed by me in open session in authentication of its adoption this 14th day of December, 2005.

  
\_\_\_\_\_  
President of the City Council

Filed by me this 14 day of December, 2005.

  
\_\_\_\_\_  
City Clerk

LIST OF EXHIBITS

- Exhibit A – Refunded Bonds
- Exhibit B – Allocation of Bonds
- Exhibit C – Bond Form
- Exhibit D – Notice of Bond Sale and Revised Official Bid Form
- Exhibit E – Printed Version of Electronic Bid
- Exhibit F – Refunding Trust Agreement



**EXHIBIT A**  
**REFUNDED BONDS**

Designation/ Name of Issue	Refunded Bond Legislation	Date of Issue	Original Principal Amount	Refunded Principal Amount	Maturities To Be Refunded "Refunded Bonds"	Redemption Date And Redemption Price
<b>1997 Refunded Bonds</b>  Water System Revenue Bonds, 1997	Ordinance 118512 Resolution 29553	3/15/97	\$53,000,000	\$42,155,000	8/1/2008 through 8/1/2017, 8/1/2022 and 8/1/2026	8/1/2007 @ 102%
<b>1999B Refunded Bonds</b>  Water System Revenue Bonds, 1999, Series B	Ordinance 119649 Resolution 30057	10/1/1999	\$110,000,000	\$91,360,000	7/1/2010 through 7/1/2017, 7/1/2019, 7/1/2020, 7/1/2023 and 7/1/2029	7/1/2009 @ 101%

1 default with respect to the Bonds. The sole remedy of any holder of a Bond will be to take such  
2 actions as that holder deems necessary and appropriate to compel the City or other obligated person  
3 to comply with this Undertaking.

4 This Undertaking shall inure to the benefit of the City and any holder of the Bonds, and shall  
5 not inure to the benefit of or create any rights in any other person.

6 At its option and to the extent authorized by the SEC, the City may make any filing under  
7 this Undertaking by transmitting the required filing using <http://www.disclosureusa.org> (or such  
8 other centralized agent as may be approved by the SEC).

9 Section 14. Termination of Undertaking. The City's obligations under the Undertaking  
10 described in Section 13 of this resolution shall terminate upon the legal defeasance, prior  
11 redemption, or payment in full of all of the then outstanding Bonds. In addition, the Undertaking, or  
12 any provision thereof, will be null and void if the City (i) obtains an opinion of nationally recognized  
13 bond counsel or other counsel familiar with federal securities laws to the effect that those portions of  
14 the Rule which require the City to comply with the Undertaking, or any such provision, are invalid,  
15 have been repealed retroactively or otherwise do not apply to the Bonds; and (ii) notifies the SID and  
16 either the MSRB or each then existing NRMSIR of such Termination.

17 Section 15. General Authorization. The Mayor and the Director of Finance and each of  
18 the other appropriate officers of the City are each authorized and directed to do everything as in their  
19 judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions  
20 of, and complete the transactions contemplated by, the Bond Ordinance and this resolution.

21 Section 16. Severability. The provisions of this resolution are declared to be separate and  
22 severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal  
23 periods having run, finds any provision of this resolution to be invalid or unenforceable as to any  
24 person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be  
25 within the limits of enforceability or validity. However, if the offending provision cannot be so  
26

**EXHIBIT B**  
**ALLOCATION OF BONDS**

Maturity Year	1997 Refunded Bonds	1999B Refunded Bonds
2006	\$ 720,000	\$ 1,675,000
2007	65,000	230,000
2008	1,410,000	240,000
2009	1,460,000	250,000
2010	1,525,000	2,865,000
2011	1,600,000	3,000,000
2012	1,675,000	3,145,000
2013	1,760,000	3,290,000
2014	1,840,000	3,445,000
2015	1,925,000	3,615,000
2016	2,020,000	3,785,000
2017	2,120,000	3,970,000
2018	2,220,000	4,165,000
2019	2,325,000	4,370,000
2020	2,440,000	4,585,000
2021	2,565,000	4,815,000
2022	2,690,000	5,055,000
2023	2,825,000	5,305,000
2024	2,965,000	5,575,000
2025	3,110,000	5,845,000
2026	3,265,000	6,130,000
2027 <sup>(1)</sup>		6,425,000
2028 <sup>(1)</sup>		6,715,000
2029		7,020,000

(1) Mandatory redemption requirement.



**EXHIBIT C**  
**BOND FORM**

No. R- \_\_\_\_\_

\$ \_\_\_\_\_

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to City or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF WASHINGTON

THE CITY OF SEATTLE

WATER SYSTEM REVENUE REFUNDING BOND, 2005

INTEREST RATE:

MATURITY DATE:

CUSIP No.:

Registered Owner: CEDE & CO.

Principal Amount: DOLLARS

THE CITY OF SEATTLE, WASHINGTON (the "City"), a municipal corporation of the State of Washington, for value received, promises to pay the Registered Owner identified above on the Maturity Date identified above, the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) thereon from the later of the date of this Bond or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum set forth above, payable semiannually on each March 1 and September 1, commencing March 1, 2006, to the maturity or earlier redemption of this Bond. If this Bond is duly presented for payment and not paid on its maturity or call date, then interest shall continue to accrue at the Interest Rate identified above until this Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Account and this Bond has been called for payment by giving notice to the Registered Owner.

Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America. Principal of and premium, if any, are payable only to the Registered Owner upon presentation and surrender of this Bond at the principal office of the fiscal agent of the

1 City (presently The Bank of New York, New York, New York) or such other paying agents as  
2 designated by the City upon notice to the Registered Owners of the Bonds (the "Bond Registrar").  
3 Payment of each installment of interest shall be made to the Registered Owner whose name appears  
4 on the registration books of the City maintained by the Bond Registrar (the "Bond Register") at the  
5 close of business on the 15th day of the month next preceding the interest payment date (the "Record  
6 Date") and shall be paid by check or draft of the Bond Registrar mailed on the interest payment date  
7 to the Registered Owner at the address appearing on the Bond Register or, when requested in writing  
8 to the Bond Registrar before the applicable Record Date by the Registered Owner of \$1,000,000 or  
9 more in principal amount of the Bonds, by wire transfer on the interest payment date.  
10 Notwithstanding the foregoing, as long as this Bond is registered in the name of Cede & Co., as  
11 nominee of The Depository Trust Company ("DTC"), payment of principal, premium, if any, and  
12 interest shall be made as provided in the Letter of Representations.

13 This Bond is one of an authorized issue of bonds designated The City of Seattle, Washington,  
14 Water System Revenue Refunding Bonds, 2005, aggregating \$138,040,000 in principal amount,  
15 maturing on September 1 in the years 2006 through 2026, inclusive, and in the year 2029, of like  
16 date, tenor and effect, except as to numbers, denominations, options of redemption, maturity dates  
17 and interest rates. The Bonds are issued by the City pursuant to Ordinance 121939 and Resolution  
18 30832 of the City (the "Bond Legislation") for the purpose of providing all or a part of the funds  
19 with which to pay the cost of refunding, defeasing, or refunding and defeasing, Refundable Bonds  
20 included in a Refunding Plan and to pay all or part of the costs of issuing and selling the Bonds, all  
21 as provided in the Bond Legislation. The Bonds are issued in fully registered form in the  
22 denomination of \$5,000 or any integral multiple thereof within a single maturity.

23 The Bonds are special obligations of the City payable solely out of the Bond Account,  
24 including the Reserve Subaccount therein, into which account the City has irrevocably pledged to set  
25 aside and pay certain fixed amounts out of the Net Revenue of the Water System, namely, amounts  
26 sufficient to pay the principal of and interest on the Parity Bonds when due and to satisfy the  
Reserve Requirement, all at the times and in the manner set forth in the Bond Legislation.

The Net Revenue of the Water System is pledged to make the required payments into the  
Bond Account, which pledge constitutes a lien and charge upon such Net Revenue on a parity with  
the lien and charge of the Outstanding Parity Bonds and any Future Parity Bonds.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE CITY PAYABLE  
SOLELY FROM THE SOURCES IDENTIFIED HEREIN AND IN THE BOND LEGISLATION  
AND ARE NOT GENERAL OBLIGATIONS OF THE CITY, THE STATE OF WASHINGTON  
OR ANY OTHER POLITICAL SUBDIVISION THEREOF. THE BONDS DO NOT  
CONSTITUTE A LIEN OR CHARGE UPON ANY GENERAL FUND OR UPON ANY MONEY  
OR OTHER PROPERTY OF THE CITY, THE STATE OR ANY OTHER POLITICAL  
SUBDIVISION THEREOF NOT SPECIFICALLY PLEDGED THERETO BY THE BOND  
LEGISLATION.

1 Bonds maturing on or before September 1, 2015, are issued without the right or option of the  
2 City to redeem those Bonds prior to their stated maturity dates. The City reserves the right and  
3 option to redeem Bonds maturing on and after September 1, 2016, prior to their stated maturity  
4 dates, at any time on or after September 1, 2015, as a whole or in part within one or more maturities  
5 to be selected by the City (and by lot within a maturity in such manner as the Bond Registrar shall  
6 determine except that so long as the Bonds are registered in the name of DTC or its nominee, DTC  
7 shall select the Bonds or portions thereof to be redeemed in accordance with the Letter of  
8 Representations), at par plus accrued interest, if any, to the date fixed for redemption.

6 Bonds maturing in the year 2029 are Term Bonds and, if not redeemed under the optional  
7 redemption provisions set forth above or purchased in the open market under the provisions set forth  
8 below, shall be called for redemption by lot (in such manner as the Bond Registrar shall determine)  
9 at par plus accrued interest on September 1 in years and amounts as follows:

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2027	\$6,425,000
2028	6,715,000
2029 (maturity)	7,020,000

12 The par amount of the Term Bonds previously redeemed by call or purchased in the open  
13 market (irrespective of their actual redemption prices) shall be credited at the par amount thereof  
14 against the remaining mandatory redemption requirements as directed by the Director of Finance, or  
15 otherwise pursuant to the Bond Legislation.

15 Notwithstanding the foregoing, for so long as the Bonds are registered in the name of Cede &  
16 Co., as nominee of DTC, selection of Bonds for redemption shall be in accordance with the Letter of  
17 Representations.

18 Any Bond in the principal amount of greater than \$5,000 may be redeemed partially in any  
19 integral multiple of \$5,000. In such event, upon surrender of that Bond at either of the principal  
20 offices of the Bond Registrar, there shall be issued to the Registered Owner a new Bond (or Bonds,  
21 at the option of the Registered Owner) of the same maturity and interest rate in any of the  
22 denominations authorized by the Bond Legislation in the aggregate principal amount remaining  
23 unredeemed, without charge therefor.

24 Notice of any such intended redemption shall be sent by first-class mail, postage prepaid, not  
25 less than 30 nor more than 60 days prior to the date fixed for redemption, to the Registered Owner of  
26 each Bond to be redeemed at the address appearing on the Bond Register at the time the Bond  
Registrar prepares the notice, and this requirement shall be deemed to be complied with when notice  
is so mailed, whether or not it is actually received by the owner of any Bond. If such notice has been  
given, this Bond will cease to bear interest on the date fixed for redemption, provided that funds  
sufficient to pay all Bonds called for redemption are on deposit with the Bond Registrar on such  
date, and this Bond shall no longer be deemed outstanding. In addition, the redemption notice shall  
be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and



1 Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., at their  
2 offices in New York, New York, or their successors, to Merrill Lynch & Co., at its office in New  
3 York, New York, or its successor, and to such other persons and with such additional information as  
4 the Director of Finance shall determine, but such mailings shall not be a condition precedent to the  
5 redemption of such Bonds. Notwithstanding the foregoing, for so long as the Bonds are registered in  
6 the name of Cede & Co., as nominee of DTC, notice of redemption shall be given in accordance  
7 with the Letter of Representations.

8 The City has further reserved the right and option to purchase any or all of the Bonds in the  
9 open market at any time at a price acceptable to the City plus accrued interest to the date of such  
10 purchase. Bonds so purchased shall be retired and canceled.

11 Reference is made to the Bond Legislation for other covenants and declarations of the City  
12 and other terms and conditions upon which this Bond has been issued, which terms and conditions,  
13 including, but not limited to, terms pertaining to defeasance, are made a part hereof by this reference.  
14 Reference also is made to the Bond Legislation for the definitions of the capitalized terms used and  
15 not otherwise defined herein. The City irrevocably and unconditionally covenants that it will keep  
16 and perform all of the covenants of this Bond and of the Bond Legislation.

17 This Bond shall not be valid or become obligatory for any purpose until the Certificate of  
18 Authentication hereon has been signed by the Bond Registrar.

19 The principal of and premium, if any, and interest on this Bond shall be paid only to the  
20 Registered Owner as of the Record Date set forth above and to no other person or entity, and this  
21 Bond may not be assigned except on the Bond Register.

22 In the manner and subject to the limitations set forth in the Bond Legislation, this Bond may  
23 be transferred by the Registered Owner or by such Owner's authorized agent at the Bond Registrar  
24 on completion of the assignment form appearing hereon and surrender and cancellation of this Bond.  
25 Upon such transfer, a new Bond (or Bonds, at the option of the new Registered Owner) of an equal  
26 aggregate principal amount and of the same maturity and interest rate in any authorized  
denomination will be issued to the new Registered Owner, without charge, in exchange therefor.  
This Bond and other Bonds may be surrendered to the Bond Registrar and exchanged, without  
charge, for an equal aggregate principal amount of Bonds of the same maturity and interest rate in  
any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any  
Bond during the period between the Record Date and the next succeeding principal or interest  
payment or redemption date.

27 The City and the Bond Registrar may deem and treat the Registered Owner of this Bond as  
28 its absolute owner for the purpose of receiving payment of principal, premium, if any, and interest  
29 and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice  
30 to the contrary other than proper notice of assignment. As used herein, "Registered Owner" means  
31 the person or entity named as Registered Owner of this Bond on the front hereof and on the Bond  
32 Register.

1  
2 It is certified and declared that all acts, conditions and things required to be done precedent to  
3 and in the issuance of this Bond have been done, have happened and have been performed as  
4 required by law.

5 IN WITNESS WHEREOF, the City has caused this Bond to be executed on behalf of the  
6 City by the facsimile signatures of its Mayor and Director of Finance and a facsimile reproduction of  
7 the seal of the City to be printed hereon, this 28th day of December, 2005.

8 THE CITY OF SEATTLE, WASHINGTON  
9  
10  
11

12 Date of Authentication: \_\_\_\_\_  
13

14 CERTIFICATE OF AUTHENTICATION

15 This Bond is one of the fully registered The City of Seattle, Washington, Water System  
16 Revenue Refunding Bonds, 2005, described in the Bond Legislation.

17 WASHINGTON STATE FISCAL AGENT  
18 Bond Registrar

19 By: \_\_\_\_\_  
20  
21  
22  
23  
24  
25  
26

DATED: \_\_\_\_\_

(NOTE: The signature above must correspond with the name of the Registered Owner as it appears on the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.)

(NOTE: Signature must be guaranteed pursuant to law.)

**EXHIBIT D**

**OFFICIAL NOTICE OF BOND SALE  
AND OFFICIAL BID FORM**

**\$221,055,000\***

**The City of Seattle, Washington  
Water System Revenue Refunding Bonds, 2005**

Sealed and electronic bids (as described below) for purchase of The City of Seattle Water System Revenue Refunding Bonds, 2005 (the "Bonds") will be received by The City of Seattle, Washington (the "City"), at the office of the Director of Finance, 600 Fourth Avenue, Sixth Floor, Seattle, Washington, and, in the case of electronic bids, via Bidcomp's electronic bidding service, Parity ("Parity"), in the manner described below, until

**8:00 A.M., PACIFIC TIME, ON DECEMBER 14, 2005**

or such other day or time and under such other terms and conditions as may be established by the Director of Finance and communicated by wire service not less than 24 hours prior to the time bids are to be received. All proper bids received with respect to the Bonds will be considered and acted on by the City Council on December 14, 2005.

Bids must be submitted either:

- (i) in a sealed envelope to the Director of Finance, as described herein, or
- (ii) electronically via Parity in accordance with this notice. For further information about Parity, potential bidders may contact Parity at (212) 404-8102.

No bid will be received after the time for receiving bids specified above.

**DESCRIPTION OF THE BONDS**

**Bond Details**

The Bonds will be dated the Date of Delivery. Interest on the Bonds will be payable semiannually on each March 1 and September 1, beginning March 1, 2006.

**Registration and Book-Entry Only System**

The Bonds are issuable only as fully registered bonds and when issued will be registered in the name of Cede & Co. as registered owner and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as initial securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The principal of and interest on the Bonds are payable by the City's Bond Registrar, currently the fiscal agent of the State of Washington (currently The Bank of New York in New York, New York) to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to beneficial owners of the Bonds.

---

\* Preliminary, subject to change.

## 1 Election of Maturities

2 The successful bidder shall designate whether some or all of the principal amounts of the Bonds maturing on or after  
3 September 1, 2016, as set forth below, shall be retired on September 1 of each respective year as serial bonds maturing in  
such year or as amortization installments of Term Bonds maturing in the years specified by the bidder.

4 Term Bonds, if any, must consist of the total principal payments of two or more consecutive years and mature in the  
5 latest of those years.

6	Years (September 1)	Serial Maturities or Amortization Installments <sup>(1)</sup>	Years (September 1)	Serial Maturities or Amortization Installments <sup>(1)</sup>
7	2006	\$ 3,680,000	2018	\$ 9,990,000 <sup>(2)</sup>
8	2007	535,000	2019	10,480,000 <sup>(2)</sup>
9	2008	1,895,000	2020	11,005,000 <sup>(2)</sup>
10	2009	1,965,000	2021	11,555,000 <sup>(2)</sup>
11	2010	6,985,000	2022	12,125,000 <sup>(2)</sup>
12	2011	7,265,000	2023	12,730,000 <sup>(2)</sup>
13	2012	7,575,000	2024	13,375,000 <sup>(2)</sup>
	2013	7,900,000	2025	14,030,000 <sup>(2)</sup>
	2014	8,270,000	2026	14,720,000 <sup>(2)</sup>
	2015	8,670,000	2027	11,970,000 <sup>(2)</sup>
	2016	9,085,000 <sup>(2)</sup>	2028	12,555,000 <sup>(2)</sup>
	2017	9,525,000 <sup>(2)</sup>	2029	13,170,000 <sup>(2)</sup>

14 (1) Preliminary, subject to change.

15 (2) These amounts will constitute principal maturities of the Bonds unless Term Bonds are specified by the successful bidder, in  
which case these amounts may constitute mandatory sinking fund redemptions of Term Bonds.

## 16 Redemption

17 The Bonds maturing on or before September 1, 2015, are not subject to redemption prior to maturity. The Bonds  
18 maturing on or after September 1, 2016, are subject to redemption prior to maturity at the option of the City on and after  
19 September 1, 2015, in whole or in part at any time (maturities to be selected by the City and randomly within a maturity  
in such manner as the Bond Registrar may determine and, so long as the Bonds are in book-entry form, in accordance  
with the procedures established by the securities depository) at a price of par plus accrued interest to the date fixed for  
redemption.

## 20 Purpose

21 The Bonds are being issued for the purpose of providing all or a part of the funds with which to pay the cost of  
22 refunding, defeasing or refunding and defeasing certain outstanding bonds of the City's Water System and to pay the  
issuance costs of the Bonds.

## 23 Security

24 The Bonds are special limited obligations of the City payable from and secured solely by the Net Revenue of the Water  
25 System and all money and investments held in the Bond Account and the Rate Stabilization Account. This pledge  
constitutes a lien and charge upon the Net Revenue on a parity with that of other Parity Bonds and superior to any other  
26 liens or charges.

1 The Bonds do not constitute general obligations of the City, the State of Washington (the "State") or any political  
2 subdivision of the State, or a charge upon any general fund or upon any money or other property of the City, the  
3 State or any political subdivision of the State not specifically pledged thereto by the Ordinance. Neither the full  
4 faith and credit nor the taxing power of the City, nor any revenues of the City derived from sources other than  
5 the Water System, are pledged to the payment of the Bonds.

#### 6 BIDDING INFORMATION AND AWARD

7 Bidders are invited to submit bids for the purchase of the Bonds fixing the interest rate or rates that the Bonds will bear.  
8 Interest rates bid shall be in multiples of 1/8 or 1/20 of one percent, or both. No more than one rate of interest may be  
9 fixed for any one maturity. No bid will be considered for the Bonds that is less than an amount equal to 100 percent of  
10 the par value of the Bonds nor more than an amount equal to 105 percent of the par value of the Bonds. Bidders must  
11 bid on the entire offering of the Bonds. Each individual maturity must be reoffered at a yield that will produce a price of  
12 not less than 98 percent of the principal amount for that maturity. For the purpose of the preceding sentence, "price"  
13 shall be defined as the lesser of the price at the redemption date or the price at the maturity date. The purchaser of the  
14 Bonds must pay accrued interest, if any, to the date of delivery of the Bonds. All bids shall be without condition. For  
15 the purpose of comparison only and not as a part of the bid, each bid shall state the true interest cost of the bid.

16 The City strongly encourages the inclusion of Women and Minority Business Enterprise firms in bidding syndicates.  
17 Bidders are requested, but not required, to fax a list of syndicate members to Michael van Dyck, City of Seattle,  
18 Department of Finance, (206) 684-8286 prior to December 14, 2005.

#### 19 Bidding Process

20 *Sealed Bids.* All sealed bids shall be made only on the Official Bid Form furnished by the City or on photocopies or  
21 facsimiles of such forms, and shall be sealed. Bids must not be submitted by fax directly to the City, but may be sent via  
22 fax to an agent for the bidder, for delivery by that agent to the bid site in a sealed envelope.

23 *Electronic Bids.* If a bidder submits an electronic bid for the Bonds, such bidder thereby agrees to the following terms  
24 and conditions:

- 25 (i) If any provision in this Official Notice of Bond Sale conflicts with information or terms provided to or required  
26 of the bidder by Parity, this Official Notice of Bond Sale, including any amendments issued by wire service,  
shall control. Information provided by Parity to bidders shall form no part of any bid or of any contract between  
the successful bidder and the City unless that information is included in this Official Notice of Bond Sale or in  
the Official Bid Form provided by the City.
- (ii) The bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting  
a timely bid in compliance with the requirements of this Official Notice of Bond Sale, including any  
amendments issued by the City through a wire service, and the Official Bid Form.
- (iii) The City shall have no duty or obligation to provide or assure access to Parity, and shall not be responsible for  
the proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, use  
or attempted use of Parity.
- (iv) Parity is not the City's agent, but rather is an acceptable bidder's agent for the bidder's convenience in  
submitting its bid to the City.
- (v) The City will regard the electronic transmission of each bid it receives through Parity (including information  
regarding the purchase price of the Bonds and interest rates for any maturity of the Bonds) as though the

information were submitted on the Official Bid Form, including any amendments issued by the City through a wire service, and executed on behalf of the named bidder by a duly authorized signatory.

- (vi) If an electronic bid is accepted by the City, this Official Notice of Bond Sale (including any amendments issued by the City through a wire service), the Official Bid Form and the information regarding the purchase price of the Bonds, any Term Bonds specified, and the interest rates for any maturity of the Bonds that is submitted electronically to the City through Parity shall form a contract between the bidder and the City, and the bidder shall be bound by the terms of such contract whether or not the bidder in fact attempted or intended to submit a bid on those terms.

#### **Good Faith Deposit**

All bids must be backed by a good faith deposit in the amount of \$2,200,000. The good faith deposit shall be in the form of either a financial surety bond or a certified or bank cashier's check, each payable to the order of The City of Seattle and received by the City not later than the time bids are to be received. Each such check will be returned promptly if the bid is not accepted. The City reserves the right to invest the deposit of the successful bidder pending payment for the Bonds, and the successful bidder will not receive credit for any earnings on such investment. The deposit will be applied to the purchase price of the Bonds.

If a financial surety bond is used, it must be from a surety company pre-approved by the City. The City has pre-approved Financial Security Assurance Inc. Acknowledgement that such financial surety bond has been issued must be received by the City's Financial Advisor prior to the bid opening and must identify each bidder whose deposit is guaranteed. If the Bonds are awarded to a bidder using a financial surety bond, that bidder shall submit its good faith deposit to the City in the form of a certified or bank cashier's check or by wire transfer, no later than 2:00 p.m., Pacific Time, on the next business day following the award. If the deposit in such form is not received by that time, the City may draw on the financial surety bond to satisfy the deposit requirement. If the financial surety bond is called upon and the City has not received the good faith deposit in such form from the surety company that provided the bond within two business days following the bid award, the City may cancel the bid award and have no further obligation to that bidder. The City may, in addition and without limitation, take such steps as it deems appropriate against the provider of the financial surety bond or the successful bidder or both to obtain the amount of the good faith deposit and, in the event the City cancels the bid award, retain the recovered amount as reasonable liquidated damages and not as a penalty.

The good faith deposit of the successful bidder shall be retained by the City as security for the performance of the successful bid and shall be applied to the purchase price of the Bonds upon the delivery of the Bonds to the successful bidder. Pending delivery of the Bonds, the good faith deposit may be invested for the sole benefit of the City. If the Bonds are ready for delivery and the successful bidder fails or neglects to complete the purchase of such Bonds within 30 days following the acceptance of its bid, the good faith deposit shall be retained by the City as reasonable liquidated damages and not as a penalty.

#### **Award**

The Bonds will be sold to the bidder making a bid conforming to the terms of the offering and which, on the basis of the City's determination of the lowest true interest cost, is the best bid. The true interest cost to the City will be the rate that, when used to discount to the date of the Bonds all future payments of principal and interest (using semiannual compounding and a 30/360 day basis), produces an amount equal to the bid amount, without regard to the interest accrued to the date of delivery of the Bonds. If there are two or more equal bids and those bids are the best bids received, the Director of Finance will determine by lot which bid will be presented to the City Council.

The City reserves the right to reject any or all bids submitted and to waive any formality or irregularity in the bid or bidding process. If all bids are rejected, then the Bonds may be sold in the manner provided by law. Any bid presented after the time specified for the receipt of bids will not be accepted, and any bid not backed by the required good faith



1 deposit at the time of opening that bid will not be read or considered. The successful bid shall remain in effect until  
2 5:00 p.m., Pacific Time, on the date following such bid opening.

### 3 **Adjustment of Principal Amounts and Bid Price After Bid Opening**

4 The City has reserved the right to increase or decrease the preliminary principal amount of the Bonds by an amount not  
5 to exceed ten percent (10%) following the opening of the bids. The City also reserves the right to increase or decrease  
6 the preliminary principal amount of any maturity shown on the Official Bid Form by an amount not to exceed the greater  
7 of \$550,000 or fifteen percent (15%) of the preliminary principal amount of that maturity. The price bid by the  
8 successful bidder will be adjusted by the City on a proportionate basis to reflect an increase or decrease in the principal  
amount and maturity schedule within 24 hours after the bid opening. In the event that the City elects to alter the bond  
size after the bid pursuant to this Official Notice of Sale, the underwriter's discount, expressed in dollars per thousand,  
will be held constant. The City will not be responsible in the event and to the extent that any adjustment affects (i) the  
net compensation to be realized by the successful bidder or (ii) the true interest cost of the winning bid or its ranking  
relative to other bids.

### 9 **Issue Price Information**

10 Upon award of the Bonds, the successful bidder shall advise the City and Bond Counsel of the initial reoffering prices to  
11 the public of each maturity of the Bonds (the "Initial Reoffering Prices"). Simultaneously with or before delivery of the  
Bonds, the successful bidder shall furnish to the City and Bond Counsel a certificate in form and substance acceptable to  
Bond Counsel:

- 12 (i) confirming the Initial Reoffering Prices,
- 13 (ii) certifying that a *bona fide* offering of the Bonds has been made to the public (excluding bond houses, brokers  
14 and other intermediaries),
- 15 (iii) stating the prices at which a substantial amount of each maturity of the Bonds was sold to the public (excluding  
16 bond houses, brokers and other intermediaries),
- 17 (iv) stating the price at which any Bonds that remain unsold at the date of closing would have been sold on such  
18 date,
- 19 (v) stating which maturities, if any, are amortization installments of Term Bonds maturing in the years specified by  
the bidder, and
- 20 (vi) stating the offering price of each Bond sold to institutional or other investors at discount.

### 21 **Insurance**

22 The City has requested that the Bonds be qualified for insurance by AMBAC, FGIC, FSA, MBIA, and XL Capital  
23 Assurance. Bids for the Bonds shall not be conditioned upon obtaining insurance or any other credit enhancement. Any  
24 purchase of municipal bond insurance or commitment therefor shall be at the sole option and expense of the bidder. Any  
25 increased costs of issuance of the Bonds resulting by reason of such insurance, unless otherwise paid, shall be paid by  
26 such bidder, but shall not, in any event, be paid by the City. Any failure of the Bonds to be so insured or of any such  
policy of insurance to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the  
acceptance of its proposal for the purchase of the Bonds.

**Modifications**

The terms and conditions of this Official Notice of Bond Sale are subject to modification by the Director of Finance. Any such modification will be communicated by wire service not less than 24 hours prior to the time the bids are to be received.

**DELIVERY**

The City will deliver the Bonds (consisting of one certificate for each maturity) to DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, prior to the date of closing. Closing shall occur within 30 days after the sale date. Settlement shall be in immediately available federal funds in Seattle, Washington, on the date of delivery.

If, prior to the delivery of the Bonds, the interest receivable by the owners of the Bonds becomes includable in gross income for federal income tax purposes, or becomes subject to federal income tax other than as described in the Official Statement for the Bonds, the successful bidder, at its option, may be relieved of its obligation to purchase the Bonds and in that case the good faith deposit accompanying its bid will be returned without interest.

**Legal Opinion**

The approving legal opinion of Foster Pepper & Shefelman PLLC, Seattle, Washington, Bond Counsel, will be provided to the purchaser at the time of the delivery of the Bonds. A no-litigation certificate will be included in the closing papers of the Bonds.

**CUSIP Numbers**

It is anticipated that CUSIP identification numbers will appear on the Bonds if requested by the purchaser, but neither the failure to insert such numbers on the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Bond Sale. The purchaser is responsible for obtaining CUSIP numbers for the Bonds, and the charge of the CUSIP Bureau shall be paid by the purchaser.

**CONTINUING DISCLOSURE UNDERTAKING**

In order to assist bidders in complying with paragraph (b)(5) of SEC Rule 15c2-12, the City will undertake to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and also will be set forth in the final Official Statement.

**OFFICIAL STATEMENT AND OTHER INFORMATION**

At closing, the City will furnish a certificate of an official or officials of the City, relying on the opinions of Bond Counsel where appropriate, stating that, to the best knowledge of such official(s) as of the date of the Official Statement and as of the date of delivery of the Bonds:

- (i) the information (including financial information) regarding the City and Seattle Public Utilities (including the Water System) contained in the Official Statement was and is true and correct in all material respects and did not and does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, the City will make no representation regarding Bond Counsel's form of opinion or the information provided by DTC, The Bank of New York or any entity providing bond insurance, reserve insurance or other credit facility); and

- 1  
2 (ii) the descriptions and statements, including financial data, of or pertaining to other bodies and their activities  
3 contained in the Official Statement have been obtained from sources that the City believes to be reliable, and the  
4 City has no reason to believe that they are untrue in any material respect.

5 The Preliminary Official Statement is in a form that has been deemed final by the City for the purpose of paragraph  
6 (b)(1) of SEC Rule 15c2-12, but is subject to revision, amendment and completion in a final Official Statement, which  
7 the City will deliver, at the City's expense, to the purchaser through its designated representative not later than seven  
8 business days after the City's acceptance of the purchaser's bid. The City will provide no more than 250 copies of the  
9 final Official Statement without charge. Additional copies will be provided at the purchaser's expense.

10 By submitting the successful proposal, the purchaser's designated senior representative agrees to file the final Official  
11 Statement or cause it to be filed with the Municipal Securities Rulemaking Board within one business day following its  
12 receipt from the City.

13 The Preliminary Official Statement (with the Official Notice of Bond Sale and the Official Bid Form) and further  
14 information regarding the details of the Bonds may be obtained upon request to the City's Debt Manager, 600 Fourth  
15 Avenue, Sixth Floor, Seattle, Washington, 98124-4747 (telephone: (206) 684-8347) or to Seattle-Northwest Securities  
16 Corporation, 1420 Fifth Avenue, Suite 4300, Seattle, Washington, 98101 (telephone: (206) 628-2882).

17 DATED at Seattle, Washington, this 5th day of December, 2005.

18 /s/

Dwight D. Dively

Director of Finance

**REVISED OFFICIAL BID FORM**

**\$138,880,000<sup>(1)</sup>**

**THE CITY OF SEATTLE, WASHINGTON**

**WATER SYSTEM REVENUE REFUNDING BONDS, 2005**

Mr. Dwight D. Dively  
Director of Finance  
The City of Seattle  
Seattle, Washington

Dear Sir:

For the above-referenced bonds (the "Bonds") described in the Official Notice of Bond Sale, which is hereby made a part of this bid, and for all but not less than all of the Bonds, with interest rates per annum on the Bonds maturing in the years and amounts set forth in this Official Bid Form as indicated below:

Years (September 1)	Serial Maturities or Amortization Amounts <sup>(1)</sup>	Rates	Years (September 1)	Serial Maturities or Amortization Amounts <sup>(1)</sup>	Rates
2006	\$ 2,485,000	_____	2018	\$ 6,405,000 <sup>(2)</sup>	_____
2007	375,000	_____	2019	6,715,000 <sup>(2)</sup>	_____
2008	1,730,000	_____	2020	7,050,000 <sup>(2)</sup>	_____
2009	1,790,000	_____	2021	7,395,000 <sup>(2)</sup>	_____
2010	4,470,000	_____	2022	7,770,000 <sup>(2)</sup>	_____
2011	4,655,000	_____	2023	8,155,000 <sup>(2)</sup>	_____
2012	4,855,000	_____	2024	8,560,000 <sup>(2)</sup>	_____
2013	5,065,000	_____	2025	8,975,000 <sup>(2)</sup>	_____
2014	5,305,000	_____	2026	9,420,000 <sup>(2)</sup>	_____
2015	5,555,000	_____	2027	6,425,000 <sup>(2)</sup>	_____
2016	5,820,000 <sup>(2)</sup>	_____	2028	6,735,000 <sup>(2)</sup>	_____
2017	6,105,000 <sup>(2)</sup>	_____	2029	7,065,000 <sup>(2)</sup>	_____

We offer to pay the sum of \$ \_\_\_\_\_  
(which is not less than \$138,880,000 nor more than \$145,824,000).

<sup>(1)</sup> Preliminary, subject to change.

<sup>(2)</sup> These amounts will constitute principal maturities of the Bonds unless Term Bonds are specified by the successful bidder, in which case these amounts may constitute mandatory sinking fund redemptions of Term Bonds.

1 In accordance with the terms of the Official Notice of Bond Sale, a good faith deposit in the amount of \$2,200,000 has  
2 been provided in the form of either a certified or bank cashier's check or a financial surety bond, each payable to the  
3 order of The City of Seattle. The good faith deposit is to be applied in accordance with the terms of the Official Notice  
4 of Bond Sale if the Bonds are awarded to us. If the Bonds are not awarded to us and a check has been submitted, such  
5 check is to be returned to us. If the Bonds are not awarded to us and we provided the good faith deposit in the form of a  
6 surety bond, neither we nor the City have any further obligations with respect to the surety bond.

7 This bid is submitted in accordance with and subject to all provisions contained in the Official Notice of Bond Sale,  
8 including any amendments issued by the City through the wire service and, if applicable, the terms and conditions  
9 contained therein under "Bidding Process—Electronic Bids," which is incorporated by reference herein and made a part  
10 of this bid.

11 If our proposal to purchase the Bonds is successful, the person at the designated senior representative's office whom the  
12 City or its representatives should contact regarding closing is \_\_\_\_\_ at the following telephone  
13 number: \_\_\_\_\_.

14 Very truly yours,

15 \_\_\_\_\_  
16 Designated Representative  
17 Representing:

18 \_\_\_\_\_  
19 (Bidders are requested, but not required, to furnish separately by  
20 fax to (206) 684-8286 a list of any syndicate members.)

21 Estimated true interest cost \_\_\_\_\_% (not a part of the proposal).

22 Dated: December 12, 2005

# EXHIBIT E

## ELECTRONIC BID OF PURCHASER

PARITY Bid Form

Page 1 of 2

Upcoming Calendar Overview Results Excel

### Merrill Lynch & Co. - New York, NY's Bid Seattle

### \$138,880,000 Water System Revenue Refunding Bonds, 2005

**PARITY**

For the aggregate principal amount of \$138,880,000.00, we will pay you \$145,090,791.08, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %
09/01/2006	2,485M	5.0000
09/01/2007	375M	4.0000
09/01/2008	1,730M	4.0000
09/01/2009	1,790M	5.0000
09/01/2010	4,470M	5.0000
09/01/2011	4,655M	5.0000
09/01/2012	4,855M	5.0000
09/01/2013	5,065M	5.0000
09/01/2014	5,305M	5.0000
09/01/2015	5,555M	5.0000
09/01/2016	5,820M	5.0000
09/01/2017	6,105M	5.0000
09/01/2018	6,405M	5.0000
09/01/2019	6,715M	5.0000
09/01/2020	7,050M	5.0000
09/01/2021	7,395M	5.0000
09/01/2022	7,770M	5.0000
09/01/2023	8,155M	5.0000
09/01/2024	8,560M	5.0000
09/01/2025	8,975M	5.0000
09/01/2026	9,420M	5.0000
09/01/2027		
09/01/2028		
09/01/2029	20,225M	4.6250

Total Interest Cost: \$99,315,734.22  
Premium: \$6,210,791.08  
Net Interest Cost: \$93,104,943.14  
TIC: 4.481560  
Time Last Bid Received On: 12/14/2005 7:59:52 PST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

<https://www.newissuehome.i-deal.com/Parity/asp/main.asp?frame=content&page=parity...> 12/14/2005

PARITY Bid Form

Page 2 of 2

Bidder: Merrill Lynch & Co., New York, NY  
Contact: David Andersen  
Title: Managing Director  
Telephone: 212-449-5081  
Fax: 212-449-3733

Issuer Name: City of Seattle

Company Name: \_\_\_\_\_

Accepted By: \_\_\_\_\_

Accepted By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

© 1981-2002 i-Deal LLC, All rights reserved. Trademarks



PARITY Reoffering

Page 1 of 1

**Results**

**Merrill Lynch & Co.'s Reoffering Scale**

**PARITY**

**Seattle**

**\$138,880,000 Water System Revenue Refunding Bonds, 2005**

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price	Call Date
09/01/2006	2,485M	5.0000	3.1800	101.201	
09/01/2007	375M	4.0000	3.2600	101.193	
09/01/2008	1,730M	4.0000	3.3200	101.723	
09/01/2009	1,790M	5.0000	3.4300	105.372	
09/01/2010	4,470M	5.0000	3.5700	106.102	
09/01/2011	4,655M	5.0000	3.6700	106.752	
09/01/2012	4,855M	5.0000	3.7700	107.193	
09/01/2013	5,065M	5.0000	3.8500	107.573	
09/01/2014	5,305M	5.0000	3.9300	107.795	
09/01/2015	5,555M	5.0000	4.0000	107.952	
09/01/2016	5,820M	5.0000	4.0600	107.453	09/01/2015
09/01/2017	6,105M	5.0000	4.1000	107.122	09/01/2015
09/01/2018	6,405M	5.0000	4.1400	106.793	09/01/2015
09/01/2019	6,715M	5.0000	4.1800	106.464	09/01/2015
09/01/2020	7,050M	5.0000	4.2200	106.137	09/01/2015
09/01/2021	7,395M	5.0000	4.2600	105.811	09/01/2015
09/01/2022	7,770M	5.0000	4.3000	105.486	09/01/2015
09/01/2023	8,155M	5.0000	4.3300	105.244	09/01/2015
09/01/2024	8,560M	5.0000	4.3500	105.082	09/01/2015
09/01/2025	8,975M	5.0000	4.3700	104.921	09/01/2015
09/01/2026	9,420M	5.0000	4.4000	104.680	09/01/2015
09/01/2027					
09/01/2028					
09/01/2029	20,225M	4.6250	4.6400	99.779	

**Accrued Interest: \$0.00**

**Gross Production: \$145,942,243.25**

© 1981-2002 I-Deal LLC, All rights reserved, Trademarks

<https://www.newissuehome.i-deal.com/Parity/asp/main.asp?frame=content&page=parity...> 12/14/2005

**EXHIBIT F**  
**REFUNDING TRUST AGREEMENT**

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

## REFUNDING TRUST AGREEMENT

THIS AGREEMENT is made and entered into as of the 28th day of December, 2005, by and between THE CITY OF SEATTLE, WASHINGTON (the "City"), a municipal corporation, and The Bank of New York, of New York, New York (the "Refunding Trustee"). All capitalized terms not defined herein have the respective meanings given in Ordinance 121939 and Resolution 30832 of the City (collectively, the "Bond Legislation"). All schedules and exhibits attached hereto are incorporated herein by reference.

WHEREAS, the City now has outstanding the Refunded Bonds described in Schedule 1 attached hereto; and

WHEREAS, pursuant to the Bond Legislation, the City has determined that the Refunded Bonds be refunded out of a portion of the proceeds of the sale of its Water System Revenue Refunding Bonds, 2005 (the "Bonds"), for the purpose of realizing a debt service savings for the City; and

WHEREAS, the payment, through advance refunding of the Refunded Bonds, will be accomplished pursuant to this Refunding Trust Agreement and the Bond Legislation, which documents provide for and, for the purpose of Sections 103, 148, and 149(d) of the Internal Revenue Code of 1986, as amended (the "Code"), are to be considered as the Refunding Plan, by:

(a) The delivery by the City to the Refunding Trustee on the date the Bonds are delivered to the original purchaser thereof and the City receives full payment therefor (the "Date of Closing"), of the proceeds of the Bonds allocated to the Refunding Plan;

(b) The purchase by the Refunding Trustee on the Date of Closing of the noncallable direct obligations of the United States of America listed on Exhibit A attached hereto (the "Acquired Obligations"), which Acquired Obligations satisfy the requirements of the Verification described in paragraph (c);

(c) The delivery to the City and the Refunding 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 Acquired Obligations to be purchased by the Refunding Trustee pursuant to the Bond Legislation and this Refunding Trust Agreement, together with the specified beginning cash balance, if any, and the maturing principal of and interest on such Acquired Obligations, will provide sufficient money (assuming that all principal of and interest on the Acquired Obligations are paid on the due dates thereof and assuming no reinvestment of such maturing principal and interest) to:

(1) pay interest on the 1997 Refunded Bonds when due up to and including August 1, 2007, and on that date call, pay and redeem all of the outstanding 1997 Refunded Bonds at a price of 102% of par; and

(2) pay interest on the 1999B Refunded Bonds when due up to and including July 1, 2009, and on that date call, pay and redeem all of the outstanding 1999B Refunded Bonds at a price of 101% of par.

(d) The receipt by the Refunding Trustee of the maturing installments of principal of and interest on the Acquired Obligations; and

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

and

WHEREAS, upon the issuance of the Bonds to carry out the Refunding Plan under the authority of chapter 39.53 RCW and other laws of the State of Washington (collectively, the "Refunding Bond Act"), the principal amount of the Refunded Bonds no longer shall be considered outstanding pursuant to the defeasance provisions of the Bond Legislation that authorized the issuance of the Refunded Bonds (the "Refunded Bond Legislation"); and

WHEREAS, the City Council of the City, pursuant to the Bond Legislation, has duly and validly authorized the execution and delivery of this Refunding Trust Agreement, the delivery of a portion of the proceeds of the Bonds to the Refunding Trustee, the purchase by the Refunding Trustee of the Acquired Obligations and the carrying out of the Refunding Plan;

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

Section 1. Delivery of Money to Refunding Trustee. On the Date of Closing, the City shall cause to be delivered to the Refunding Trustee \$143,987,054.72 of the proceeds of the Bonds.

Section 2. Investment and Expenditure of Money. On the Date of Closing, the Refunding Trustee shall apply \$141,318,814.00 to pay on behalf of the City the purchase and/or subscription prices of the Acquired Obligations, from the sources, in the principal amounts, with the dates of maturity and bearing the interest rates or yields set forth in Exhibit A and \$2,668,240.72 to establish a beginning cash balance. Upon receipt thereof, the Refunding Trustee shall deliver to the City copies of the documents evidencing the purchase of and payment for the Acquired Obligations. Investments in mutual funds and unit investment trusts are prohibited.

Section 3. Sufficiency of Acquired Obligations. Based upon the Verification, the City represents that the Acquired Obligations and the maturing principal thereof and the interest thereon,

1 if paid when due, together with the beginning cash balance, shall be sufficient to make when due the  
2 payments required by the Refunding Plan. Such amounts coming due are sometimes referred to  
3 hereinafter as the "payments described in Section 3." The schedules of the sources, amounts,  
4 maturities, and interest rates or yields of the Acquired Obligations and of the Refunded Bonds that  
5 will fulfill the foregoing requirements are set forth in the Verification.

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

15 Section 5. Notice of Defeasance/Notice of Redemption. The Refunding Trustee agrees to  
16 give a notice of defeasance and a notice of redemption of the Refunded Bonds pursuant to the terms  
17 of the Refunded Bonds, and in substantially the forms attached hereto as and as described in  
18 Exhibits B through E, to the Fiscal Agent for distribution as described therein. The notices of  
19 defeasance shall be given immediately following the execution of this Refunding Trust Agreement,  
20 and the notices of redemption shall be given in accordance with the Refunded Bond Legislation.  
21 The cost of giving the notices shall be paid by the City.

22 Section 6. All Obligations and Money and Proceeds Thereof Held in Trust. The Refunding  
23 Trustee irrevocably agrees to hold the Acquired Obligations, the Substitute Obligations, if any, the  
24 principal thereof and interest thereon, and any other money it may receive pursuant to this Refunding  
25 Trust Agreement and any reinvestments thereof made pursuant to Sections 8 and 9 hereof, in trust  
26 and separate at all times from all other funds and investments held by the Refunding Trustee, solely  
for the purpose of making the payments described in Section 3. The City irrevocably conveys,  
transfers, and assigns to the Refunding Trustee the Acquired Obligations, any Substitute Obligations,  
the principal thereof and the interest thereon, and any other money and investments deposited with  
the Refunding Trustee pursuant to this Refunding Trust Agreement, for the purpose of making such  
payments. The Refunding Trustee shall not sell, transfer, assign, or hypothecate any Acquired  
Obligations, reinvestments, or Substitute Obligations except pursuant to Sections 8, 9, 13 and 15  
hereof.

27 Section 7. Reports and Notice of Insufficiency. The Refunding Trustee shall submit a report  
28 to the City, at least semiannually, which report shall set forth the cash, Acquired Obligations, and  
29 any Substitute Obligations held hereunder by the Refunding Trustee, the obligations which have  
30 matured and amounts received by the Refunding Trustee by reason of such maturity, the interest  
earned on such obligations, a list of any investments or reinvestments made by the Refunding  
Trustee in other obligations and the interest and/or principal derived therefrom, the amounts paid to

1 the Fiscal Agent, and any other transaction of the Refunding Trustee pertaining to its duties and  
2 obligations as set forth herein.

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

8 Section 8. Substitution of Different Government Obligations or Other Investments. The City  
9 reserves the right to substitute from time to time for Acquired Obligations initially purchased in  
10 accordance with Section 2 hereof, or for obligations purchased under this section, other noncallable,  
11 nonprepayable direct obligations of the United States of America and/or obligations unconditionally  
12 guaranteed by the United States of America as to full and timely payment of principal and interest  
13 authorized to be acquired with the proceeds of Bonds under the Refunding Bond Act (the "Substitute  
14 Obligations"). Prior to effecting any such substitution, the City shall have obtained at its expense  
15 and delivered to the Refunding Trustee:

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

23 (b) An opinion from Foster Pepper & Shefelman PLLC, bond counsel to the  
24 City, its successor or other nationally recognized bond counsel to the City, that the  
25 disposition and substitution or purchase of such securities, under the statutes, rules, and  
26 regulations then in force and applicable to the Bonds, will not cause the interest on the  
Bonds or the Refunded 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 Bonds.

If the verification delivered to the Refunding 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 Acquired Obligations and the substitution of Substitute Obligations therefore,  
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 Acquired and/or Substitute Obligations. The  
proceeds (principal and interest) and reinvestment proceeds of any Acquired Obligations and/or  
Substitute Obligations held by the Refunding Trustee in accordance with this Refunding Trust

1 Agreement, which are not needed within five business days of the receipt thereof to make the  
2 payments described in Section 3, shall be reinvested by the Refunding Trustee, but only upon receipt  
3 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:

4 (a) Except as provided in subsection (c) below, the proceeds of such  
5 Acquired Obligations and/or Substitute Obligations shall be reinvested in Government  
6 Obligations at a yield that will not cause the composite yield on the refunding escrow to  
7 exceed 4.312984% during its term or such higher yield as may be directed by letter of  
8 instructions from the City to the Refunding Trustee, but if the composite yield on the  
9 directed investments made pursuant to this Refunding Trust Agreement would exceed  
4.312984%, 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 &  
Shefelman 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.

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

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

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

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

24 Section 10. Amendments to Refunding Trust Agreement. The Refunding Trustee and the  
25 City recognize that the owners of the Refunded Bonds and the Bonds from time to time have a  
26 beneficial interest in the Acquired Obligations, the Substitute Obligations, and money to be held by  
the Refunding Trustee as herein provided. Therefore, this Refunding Trust Agreement is irrevocable



1 and shall not be subject to amendment except for the purpose of clarifying any ambiguity herein,  
2 increasing the protection of the rights of the owners of the Refunded Bonds or the Bonds, or  
3 preserving the exclusion of the interest on the Refunded Bonds and the Bonds from gross income for  
4 federal income tax purposes, and only if such amendment is accompanied by an opinion addressed to  
5 the City and the Refunding Trustee from Foster Pepper & Shefelman PLLC, its successor or other  
6 nationally recognized bond counsel to the City, to the effect that such change is necessary for one of  
7 the above reasons and does not detrimentally affect the owners of the outstanding Refunded Bonds  
8 and the Bonds or that it strengthens the protection of the owners of the Refunded Bonds and the  
9 Bonds and does not detrimentally affect the owners of the Refunded Bonds and the Bonds. If such  
10 amendment affects the amount of money and investments in the escrow account or the application  
11 thereof, prior to the amendment's taking effect there also shall be a verification by a nationally  
12 recognized independent certified public accounting firm satisfactory to the Refunding Trustee to the  
13 effect that after such amendment the Acquired Obligations, Substitute Obligations, and other money  
14 in the escrow account will be sufficient to make the payments described in Section 3. A copy of  
15 such verification shall be delivered to the Refunding Trustee.

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

22 The Refunding Trustee's liabilities and obligations in connection with this Refunding Trust  
23 Agreement are confined to those specifically described herein. The Refunding Trustee is authorized  
24 and directed to comply with the provisions of this Refunding Trust Agreement and is relieved from  
25 all liability for so doing notwithstanding any demand or notice to the contrary by any party hereto.  
26 The Refunding Trustee shall not be responsible or liable for the sufficiency, correctness,  
genuineness, or validity of the Acquired Obligations or the Substitute Obligations deposited with it;  
the performance or compliance by any party other than the Refunding 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 Refunding 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 Refunding 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  
Refunding Trustee in time to make the then current scheduled debt service payment the additional  
money specified in the Refunding Trustee's notice of insufficiency given pursuant to Section 7  
hereof.

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

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

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

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

38       Section 16. Miscellaneous. This Refunding Trust Agreement is governed by Washington  
39       law without regard to the conflict of laws provisions thereof and may not be modified except by a  
40       writing signed by the parties and subject to the limitations of Section 10. If any one or more of the

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

Section 17. Notice to Rating Agencies. The Refunding Trustee shall notify all national rating agencies maintaining (at the request of the City) a rating on the Refunded 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 Refunding Trust 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 Refunding Trust 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 Refunding Trust Agreement pursuant to due and proper authorization, all as of the date and year first above written.

THE CITY OF SEATTLE, WASHINGTON

THE BANK OF NEW YORK, as  
Refunding Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE 1**  
**REFUNDED BONDS**

Designation/ Name of Issue	Refunded Bond Legislation	Date of Issue	Original Principal Amount	Refunded Principal Amount	Maturities To Be Refunded "Refunded Bonds"	Redemption Date And Redemption Price
<b>1997 Refunded Bonds</b>	Ordinance 118512	3/15/97	\$53,000,000	\$42,155,000	8/1/2008 through 8/1/2017, 8/1/2022 and 8/1/2026	8/1/2007 @ 102%
Water System Revenue Bonds, 1997	Resolution 29553					
<b>1999B Refunded Bonds</b>	Ordinance 119649	10/1/1999	\$110,000,000	\$91,360,000	7/1/2010 through 7/1/2017, 7/1/2019, 7/1/2020, 7/1/2023 and 7/1/2029	7/1/2009 @ 101%
Water System Revenue Bonds, 1999, Series B	Resolution 30057					

**EXHIBIT A**

**ACQUIRED 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 B**

**Notice of Defeasance\***  
**The City of Seattle, Washington**  
**Water System Revenue Bonds, 1997**

NOTICE IS HEREBY GIVEN to the owners of certain of the above-captioned bonds (as set forth below) with respect to which, pursuant to the Refunding Trust Agreement dated as of December 28, 2005, by and between The City of Seattle, Washington (the "City"), and The Bank of New York, of New York, New York (the "Refunding Trustee"), there has been deposited into an escrow account, held by the Refunding 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 redemption date of such bonds so provided for, the principal thereof and interest thereon (the "Refunded Bonds"). The Refunded Bonds are therefore deemed to be no longer outstanding pursuant to Section 30 of Ordinance 118512 of the City relating to the Refunded Bonds, but will be paid by application of the assets in such escrow account.

The Refunded Bonds are described as follows:

**The City of Seattle, Washington**  
**Water System Revenue Bonds, 1997**  
**(Dated March 15, 1997)**

<b>Maturity (August 1)</b>	<b>Par Amount Defeased</b>	<b>Interest Rate</b>	<b>Call Date @ 102%</b>	<b>CUSIP No.</b>
2008	\$ 1,340,000	5.375%	8/1/2007	
2009	1,405,000	5.375	8/1/2007	
2010	1,475,000	5.375	8/1/2007	
2011	1,550,000	5.400	8/1/2007	
2012	1,630,000	5.500	8/1/2007	
2013	1,720,000	5.600	8/1/2007	
2014	1,810,000	5.600	8/1/2007	
2015	1,905,000	5.600	8/1/2007	
2016	2,010,000	5.600	8/1/2007	
2017	2,120,000	5.600	8/1/2007	
2022	12,470,000	5.625	8/1/2007	
2026	12,720,000	5.625	8/1/2007	

**THE BANK OF NEW YORK, as Refunding Trustee**

Dated: \_\_\_\_\_

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

**EXHIBIT C**

**Notice of Defeasance\***  
**The City of Seattle, Washington**  
**Water System Revenue Bonds, 1999, Series B**

NOTICE IS HEREBY GIVEN to the owners of certain of the above-captioned bonds with respect to which, pursuant to the Refunding Trust Agreement dated as of December 28, 2005, by and between The City of Seattle, Washington (the "City"), and The Bank of New York, of New York, New York (the "Refunding Trustee"), there has been deposited into an escrow account, held by the Refunding 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 redemption date of such bonds so provided for, the principal thereof and interest thereon (the "Refunded Bonds"). The Refunded Bonds are therefore deemed to be no longer outstanding pursuant to Section 26 of Ordinance 119649 of the City relating to the Refunded Bonds, but will be paid by application of the assets in such escrow account.

The Refunded Bonds are described as follows:

**The City of Seattle, Washington**  
**Water System Revenue Bonds, 1999, Series B**  
**(Dated October 1, 1999)**

<b>Maturity (July 1)</b>	<b>Par Amount Defeased</b>	<b>Interest Rate</b>	<b>Call Date @ 101%</b>	<b>CUSIP No.</b>
2010	\$2,600,000	5.500%	7/1/2009	
2011	2,735,000	5.500	7/1/2009	
2012	2,880,000	5.750	7/1/2009	
2013	3,035,000	5.750	7/1/2009	
2014	3,200,000	5.750	7/1/2009	
2015	3,380,000	5.750	7/1/2009	
2016	3,565,000	5.750	7/1/2009	
2017	3,765,000	5.750	7/1/2009	
2019	8,185,000	5.750	7/1/2009	
2020	4,445,000	5.750	7/1/2009	
2023	14,925,000	5.750	7/1/2009	
2029	38,645,000	6.000	7/1/2009	

**THE BANK OF NEW YORK, as Refunding Trustee**

Dated: \_\_\_\_\_

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



**EXHIBIT D**

**Notice of Redemption\***

**The City of Seattle, Washington  
Water System Revenue Bonds, 1997**

NOTICE IS HEREBY GIVEN that The City of Seattle, Washington, has called for redemption on August 1, 2007, all of its then-outstanding Water System Revenue Bonds, 1997, described below (the "Bonds").

The Bonds will be redeemed at a price of one hundred two percent (102%) of their principal amount, plus accrued interest to August 1, 2007. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

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

-or-

Wells Fargo Bank, National Association  
Corporation Trust Department  
14th Floor - M/S 257  
999 Third Avenue  
Seattle, WA 98104

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on August 1, 2007.

*[remainder of page intentionally left blank]*

\* This notice shall be given not less than 30 nor more than 60 days prior to August 1, 2007, by first class mail, postage prepaid, to each registered owner of the Bonds. In addition, notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Ratings Services at their offices in New York, New York; to Bear, Stearns & Co. Inc. at their offices in New York, New York, to each Nationally Recognized Municipal Securities Information Repository and to The Depository Trust Company in New York, New York.

The following Bonds are being redeemed:

Maturity (August 1)	Par Amount Redeemed	Interest Rate	CUSIP No.
2008	\$ 1,340,000	5.375%	
2009	1,405,000	5.375	
2010	1,475,000	5.375	
2011	1,550,000	5.400	
2012	1,630,000	5.500	
2013	1,720,000	5.600	
2014	1,810,000	5.600	
2015	1,905,000	5.600	
2016	2,010,000	5.600	
2017	2,120,000	5.600	
2022	12,470,000	5.625	
2026	12,720,000	5.625	

By Order of The City of Seattle, Washington

The Bank of New York, as Paying Agent

Dated: \_\_\_\_\_

Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "Act"), when presenting the Bonds for payment, Bondowners must also submit a completed IRS Form W-9 or an exemption certificate equivalent. Failure to provide a properly completed Form W-9 or an exemption certificate equivalent may result in 30% back up withholding on the amount of the payment under the provisions of the Act.

**EXHIBIT E**

**Notice of Redemption\***

**The City of Seattle, Washington  
Water System Revenue Bonds, 1999, Series B**

NOTICE IS HEREBY GIVEN that The City of Seattle, Washington, has called for redemption on July 1, 2009, all of its then-outstanding Water System Revenue Bonds, 1999, Series B, described below (the "Bonds").

The Bonds will be redeemed at a price of one hundred one percent (101%) of their principal amount, plus accrued interest to July 1, 2009. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

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

-or-

Wells Fargo Bank, National Association  
Corporation Trust Department  
14th Floor – M/S 257  
999 Third Avenue  
Seattle, WA 98104

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on July 1, 2009.

*[remainder of page intentionally left blank]*

\* This notice shall be given not less than 30 nor more than 60 days prior to July 1, 2009, by first class mail, postage prepaid, to each registered owner of the Bonds. In addition, notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Ratings Services at their offices in New York, New York; to UBS Financial Services Inc. at their offices in New York, New York, to each Nationally Recognized Municipal Securities Information Repository and to The Depository Trust Company in New York, New York.

The following Bonds are being redeemed:

Maturity (July 1)	Par Amount Redeemed	Interest Rate	CUSIP No.
2010	\$2,600,000	5.500%	
2011	2,735,000	5.500	
2012	2,880,000	5.750	
2013	3,035,000	5.750	
2014	3,200,000	5.750	
2015	3,380,000	5.750	
2016	3,565,000	5.750	
2017	3,765,000	5.750	
2019	8,185,000	5.750	
2020	4,445,000	5.750	
2023	14,925,000	5.750	
2029	38,645,000	6.000	

By Order of The City of Seattle, Washington

The Bank of New York, as Paying Agent

Dated: \_\_\_\_\_

Pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "Act"), when presenting the Bonds for payment, Bondowners must also submit a completed IRS Form W-9 or an exemption certificate equivalent. Failure to provide a properly completed Form W-9 or an exemption certificate equivalent may result in 30% back up withholding on the amount of the payment under the provisions of the Act.

---

**STATE OF WASHINGTON – KING COUNTY**

--SS.

---

192961  
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 12<sup>th</sup> day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

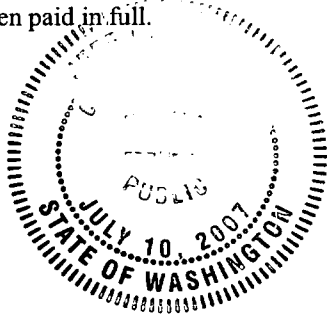
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:30832 RES IN FULL

was published on

12/21/05

The amount of the fee charged for the foregoing publication is the sum of \$ 649.25, which amount has been paid in full.



A handwritten signature in black ink, appearing to be "M. J. F.", written over a horizontal line.

Subscribed and sworn to before me on

12/21/05

A handwritten signature in black ink, appearing to be "A. B. U.", written over a horizontal line.

Notary public for the State of Washington,  
residing in Seattle

Affidavit of Publication

# State of Washington, King County

## City of Seattle

### RESOLUTION 30832

A RESOLUTION providing for the sale and issuance of The City of Seattle, Washington, Water System Revenue Refunding Bonds, 2005, specifying the amount, maturities, interest rates and other terms of the bonds, providing for the refunding of certain of the City's outstanding water system revenue bonds, providing for the call payment and redemption of the outstanding bonds to be refunded, appointing a refunding trustee and approving the forms and execution of a refunding trust agreement, authorizing the purchase of certain obligations and the use and application of money derived from those obligations, and ratifying, confirming and approving the notice of bond sale and the actions of the Director of Finance relating to the sale of the bonds.

WHEREAS, pursuant to Ordinance 121939 (the "Bond Ordinance"), the City of Seattle, Washington (the "City"), authorized the issuance of water system refunding bonds (the "Bonds") for the purpose of (providing a part of the funds with which to pay the cost of refunding, defending or refunding or (defeating certain water system refunding bonds included in a Refunding Plan (each defined in the Bond Ordinance) and to pay all or part of the costs of issuing and selling the Bonds; and

WHEREAS, the Bond Ordinance authorized the Director of Finance to conduct a public or negotiated sale of the Bonds and to recommend to the City Council for its approval by resolution the interest rates, other terms and matters relating to the Bonds consistent with the Bond Ordinance; and

WHEREAS, pursuant to the Bond Ordinance, a preliminary official statement dated December 3, 2005 (the "Preliminary Official Statement") for the public sale of the Bonds has been prepared and a notice of that sale (the "Notice of Bond Sale") was given, a revised official statement for that sale was distributed, bids have been received in accordance with the Notice of Bond Sale, and the proposed sale of the Bonds to Merrill Lynch & Co. (the "Purchaser") has been recommended to the City Council for its approval with the interest rates and other terms and matters relating to the Bonds set forth in this resolution; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE THAT:

Section 1. Definitions. The meaning of capitalized terms used and not otherwise defined in this resolution shall be as set forth in the Bond Ordinance.

Acquired Obligations means those Acquired Obligations (as such term is defined in the Bond Ordinance) purchased to accomplish the refunding of the Refunded Bonds as authorized by this resolution.

Bond Ordinance means Ordinance 121939 of the City authorizing the issuance of the Bonds.

Refunded Bond Legislation means Ordinances 118512 and 119649 and Resolutions 29553 and 30057 of the City.

Refunded Bonds means, collectively, the 1997 Refunded Bonds and the 1999B Refunded Bonds, as such bonds are identified and defined in Exhibit A attached hereto.

Refunding Plan means:

(a) the placement of sufficient proceeds of the Bonds, which, with other money of the City, if necessary, will acquire the Acquired Obligations to be deposited, with cash, if necessary, with the Refunding Trustee;

(b) the payment of the interest on the 1997 Refunded Bonds when due up to and including August 1, 2007, and the call payment and redemption on August 1, 2007, of all of the outstanding 1997 Refunded Bonds at a price of 102% of par; and

(c) the payment of the interest on the 1999B Refunded Bonds when due up to and including August 1, 2009, and the call payment,

Refunding Trust Agreement means the Refunding Trust Agreement between the City and the Refunding Trustee relating to the Refunded Bonds, substantially in the form attached hereto as Exhibit F.

Refunding Trustee means U.S. Bank National Association, serving as trustee or escrow agent or any successor trustee or escrow agent.

Section 2. The Bonds. The Bonds shall be issued in the aggregate principal amount of \$138,040,000. The Bonds shall be called "The City of Seattle, Washington, Water System Revenue Refunding Bonds, 2005." The Bonds shall be in the denomination of \$5,000 or any integral multiple thereof with in a single maturity; shall be dated their date of initial delivery to the Purchaser; shall be registered as to both principal and interest and shall bear interest from their date until the Bonds bearing such interest have been paid or their payment has been duly provided for, payable semiannually on each March 1 and September 1, commencing March 1, 2006; and shall mature on September 1 of the following years and in the following amount and shall bear interest as follows:

Maturities - Principal Amounts - Interest Rates

2006	\$2,395,000	5.00%
2007	295,000	4.00
2008	1,650,000	4.00
2009	1,710,000	5.00
2010	4,390,000	5.00
2011	4,600,000	5.00
2012	4,820,000	5.00
2013	5,050,000	5.00
2014	5,285,000	5.00
2015	5,540,000	5.00
2016	5,805,000	5.00
2017	6,090,000	5.00
2018	6,385,000	5.00
2019	6,695,000	5.00
2020	7,025,000	5.00
2021	7,380,000	5.00
2022	7,745,000	5.00
2023	8,130,000	5.00
2024	8,540,000	5.00
2025	8,955,000	5.00
2026	9,395,000	5.00
2029	20,160,000	4.625

Portions of the above maturity are allocated to carrying out the Refunding Plan, including a ratable share of principal used to pay the costs of issuance of the Bonds in accordance with the schedule set forth in Exhibit B attached hereto.

Section 3. Optional Redemption. Bonds maturing on or before September 1, 2015 shall be issued without the right or option of the City to redeem those Bonds prior to their stated maturity dates. The City reserves the right and option to redeem Bonds maturing on and after September 1, 2016, prior to their stated maturity dates, at any time after September 1, 2015 as a whole or in part, by the City (in the manner specified in the Bond Ordinance) at par plus accrued interest, if any, to the date fixed for redemption.

Section 4. Mandatory Redemption. Bonds maturing in the year 2029 are designated as Term Bonds and, if not redeemed prior to the optional redemption provisions set forth in the Bond Ordinance, shall be called for redemption in accordance with Section 6 of the Bond Ordinance at par plus accrued interest on September 1 in years and amounts as follows:

**Mandatory Redemption Years - Mandatory Redemption Amounts**

2027      \$6,425,000

2028      6,715,000

2029 (maturity) 7,020,000

**Section 5. Form of Bonds.** The Bonds shall be substantially in the form attached hereto as Exhibit C.

**Section 6. Sale and Delivery of Bonds.** The City finds that the sale and delivery of the Bonds to Merrill Lynch & Co. (the "Purchaser") at the interest rates and under the conditions set forth in the Bond Ordinance, this resolution, the Notice of Bond Sale attached hereto as Exhibit D, and the electronic bid of the Purchaser, a printed copy of which is attached hereto as Exhibit E, is in the City's best interest and therefore approves, confirms and ratifies the award of the Bonds to the Purchaser.

**Section 7. Authorization of Official Statement.** The Director of Finance is hereby authorized and directed to review and approve on behalf of the City a final official statement (the "Official Statement") with respect to the Bonds, substantially in the form of the Preliminary Official Statement and supplemented or amended as he, with the approval of Bond Counsel, deems necessary or appropriate.

**Section 8. Use of Bond Proceeds; Refunding Plan.** The principal proceeds of the Bonds received by the City and, if necessary, other money of the City shall be applied as follows (the amounts to be determined by the Director of Finance prior to the issuance of the Bonds): (i) an amount sufficient to carry out the Refunding Plan shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to discharge the obligations of the City relating to the Refunded Bonds under the Refunded Bond Legislation pursuant to the Refunding Plan, as defined herein and modified or amplified by the Refunding Trust Agreement, and (ii) the balance of the Bond proceeds shall be deposited in the account(s) within the Water Fund as designated by the Director of Finance and shall be used to pay costs of issuing the Bonds and for the purposes described in the Bond Ordinance.

The Refunding Plan shall be carried out, and proceeds of the Bonds shall be applied, in accordance with the Bond Ordinance, the Refunded Bond Legislation, the Refunding Trust Agreement, this resolution and the laws of the State.

**Section 9. Calls for Redemption of the Refunded Bonds.** In accordance with the Refunded Bond Legislation, as a part of the Refunding Plan the City calls the Refunded Bonds for redemption on the call dates and at the redemption prices set forth in the Refunding Plan, plus accrued interest to the date of redemption.

Such calls for redemption shall be irrevocable after the delivery of the Bonds to the Purchaser.

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

**Section 10. City Findings With Respect to Refunding.** The City finds and determines that the issuance and sale of the Bonds will effect a savings to the City and its ratepayers. In making such finding and determination, the City has given consideration to the fixed maturities and scheduled redemptions of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds, and the known earned income from the investment of the proceeds of the issuance and sale of the Bonds and other money, if any, of the City used in the Refunding Plan pending payment and redemption of the Refunded Bonds. The City further finds and determines that the money to be deposited with the Refunding Trustee for the Refunded Bonds in accordance with the Bond Ordinance and this resolution will discharge and satisfy the obligations of the City with respect to the Refunded Bonds under the Refunded Bond Legislation, and the pledges, charges, trusts, covenants and agreements of the City thereon made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under such Refunded Bond Legislation immediately upon the deposit of such money with the Refunding Trustee.

**Section 11. Appointment of Refunding Trustee and Authorization of Refunding Trust Agreement.** The Bank of New York is appointed as Refunding Trustee. The Director of Finance is authorized and directed to execute and deliver to the Refunding Trustee the Refunding Trust Agreement with such modifications as the Director of Finance determines are necessary and appropriate and are consistent with the Bond Ordinance and this resolution.

**Section 12. City Finding as to Sufficiency of Gross Revenues.** The City finds and determines (i) that the Gross Revenue and benefits to be derived from the operation and maintenance of the Municipal Water System at the rates to be charged from time to time for water and other services and commodities from the Municipal Water System consistent with Section 17(b) of the Bond Ordinance, will be sufficient to meet all Operation and Maintenance Expenses and to permit the setting aside into the Bond Account out of the Gross Revenue of amounts sufficient to pay the principal of and interest on the Bonds and any mandatory redemption requirements when due, and (ii) that in fixing the amounts to be paid into the Bond Account the City has exercised due regard for Operation and Maintenance Expenses, and has not bound and obligated itself to set aside and pay into the Bond Account a greater amount or proportion of the Gross Revenue than in the judgment of the City will be available over and above the Operation and Maintenance expenses.



**Section 13. Undertaking to Provide Continuing Disclosure.** This Section constitutes the written undertaking (the "Undertaking") for the benefit of the holders of the Bonds as required by paragraph (b)(5) of SEC Rule 15c2-12 (the "Rule"), and pursuant to the Bond Ordinance. For purposes of this Undertaking, the term "holders of the Bonds" shall have the meaning intended for such term under the Rule. The City as an "obligated person" within the meaning of the Rule undertakes to provide or cause to be provided, either directly or through a designated agent:

a. To each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule (each "NRMSIR"), and to a state information depository, if one is established in the State of Washington and recognized by the SEC (the "SID"); annual financial information and operating data regarding the Municipal Water System of the type included in the Official Statement for the Bonds as follows: (i) annual financial statements of the Municipal Water System, prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (ii) a statement of authorized, issued and outstanding bond debt secured by the Net Revenue of the Municipal Water System; (iii) debt service coverage ratios; (iv) summary operating statistics for the Municipal Water System, including population served, water sales revenue and billed water use; and (v) current water rates.

Annual financial information, as described above, will be provided to each NRMSIR and the SID, not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as permitted or required by state law, commencing with the City's fiscal year which ends December 31, 2005. The annual financial information may be provided in a single or in multiple documents, and may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an obligated person as defined by the Rule, which documents have been filed with each NRMSIR and the SID. If the document incorporated by reference is a "final official statement" (as defined by the Rule) with respect to which the City is an obligated person it must be available from the Municipal Securities Rulemaking Board ("MSRB").

b. To each NRMSIR or to the MSRB, and the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to the rights of the holders of the Bonds; (viii) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (ix) leasebacks; (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes.

c. To each NRMSIR or to the MSRB and the SID timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (a) above.

This Undertaking may be amended without the consent of any holder of any Bond, broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule. The City will give notice to the NRMSIR or the MSRB, and to the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information being provided.

If the City fails to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the City is aware of that failure. No failure by the City as an obligated person to comply with this Undertaking shall constitute a default with respect to the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary and appropriate to compel the City or other obligated person to comply with this Undertaking.

This Undertaking shall inure to the benefit of the City and any holder of the Bonds, and shall not inure to the benefit of or create rights in any other person.

In its option and to the extent authorized by the SEC, the City may make any filing required by this Undertaking by transmitting the required filing using <http://www.disclosure.com> (or such other centralized agent as approved by the SEC).

**Section 14. Termination of Undertaking.**

The City's obligations under the Undertaking described in Section 13 of this resolution shall terminate upon the legal defeasance prior redemption, or payment in full of all of the then outstanding Bonds. In addition the Undertaking, or any provision thereof will be null and void if the City (i) obtains an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws to the effect that those portions of the Rule which require the City

to comply with the Undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (ii) notifies the SID and either the MSRB or each then existing NRMSIR of such Termination.

**Section 15. 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, the Bond Ordinance and this resolution.

**Section 16. Severability.** The provisions of this resolution 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 resolution 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, 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 resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

**Section 17. Ratification of Prior Acts.** All acts taken pursuant to the authority of this resolution but prior to its effective date are ratified, approved and confirmed.

**Section 18. Incorporation by Reference.** Each of Exhibit A, Exhibit B, Exhibit C, Exhibit D, Exhibit E, and Exhibit F attached to this resolution is by this reference incorporated herein.

**Section 19. Section Headings.** Section headings in this resolution are used for convenience only and shall not constitute a substantive portion of this resolution.

ADOPTED by the City Council the 14th day of December, 2005, and signed by me in open session in authentication of its adoption this 14th day of December, 2005.

Jan Drago

President of the City Council

Filed by me this 14th day of December 2005.

Judith Pippin

City Clerk

**LIST OF EXHIBITS**

Exhibit A - Refunded Bonds

Exhibit B - Allocation of Bonds

Exhibit C - Bond Form

Exhibit D - Notice of Bond Sale and Revised Official Bid Form

Exhibit E - Printed Version of Electronic Bid

Exhibit F - Refunding Trust Agreement

See City Clerk for Exhibits

Publication ordered by JUDITH PIPPIN  
City Clerk

Date of publication in the Seattle Daily Journal of Commerce, December 21, 2005.

12/21/19296