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CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 118234

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuance of those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

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

WHEREAS, the City has need to acquire and construct certain additions and betterments to and extensions of the Light System described in the system or plan adopted by this ordinance (the "Plan of Additions"); and

WHEREAS, the City has outstanding certain revenue bonds (the "Outstanding Parity Bonds") having a charge and lien upon the Gross Revenue of the Light System prior and superior to all other charges whatsoever, except reasonable charges for maintenance and operation of the Light System; and

WHEREAS, pursuant to the respective ordinances and resolutions listed in Exhibit A, the City issued its municipal light and power revenue bonds described in Exhibit A, and provided for the issuance of additional bonds having a lien and charge on the Gross Revenue of the Light System on a parity of lien with those bonds ("Parity Bonds") upon compliance with certain conditions; and

WHEREAS, after due consideration, the City finds that it is necessary and in the best interest of the City and its ratepayers to issue municipal light and power revenue bonds as Parity Bonds to pay part of the cost of the Plan of Additions, pay costs of issuance of those bonds and provide for the reserve fund requirement; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

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

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

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

"**Adjusted Net Revenue**" has the meaning assigned to that term in Section 13(g)(iii).

"**Alternate Reserve Security**" means Qualified Insurance or a Qualified Letter of Credit, which is used to satisfy all or a portion of the Reserve Fund Requirement for the Parity Bonds.

"**Annual Debt Service**" for any calendar year means the sum of the amounts required in such calendar year to pay (a) the interest due in such calendar year on all Parity Bonds outstanding, excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; (b) the principal of all outstanding Serial Bonds due in such calendar year; and (c) the Sinking Fund Requirement, if any, for such calendar year.

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

For purposes of making coverage ratio calculations in connection with a certificate delivered under Section 13(g) regarding the issuance of Future Parity Bonds, Annual Debt Service shall exclude debt service on Parity Bonds that are included in a refunding or defeasance plan approved by the City Council, which provides for the refunding or defeasance of certain Parity Bonds by irrevocably pledging money and/or Government Obligations pending their early redemption.

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

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

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

(iii) **Interest on Parity Bonds With Respect to Which a Payment Agreement is in Force.** Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement, including but not limited to the effects produced by the following: (A) Parity Bonds that would, but for a Payment Agreement, be treated as obligations bearing interest at a Variable Interest Rate instead shall be treated as obligations bearing interest at a fixed interest rate, and (B) Parity Bonds that would, but for a Payment Agreement, be treated as obligations bearing interest at a fixed interest rate instead shall be treated as obligations bearing interest at a Variable Interest Rate. Accordingly, the amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement Receipts. For the purposes of calculating as nearly as practicable Payment Agreement Receipts and Payment Agreement Payments under a Payment Agreement that includes a variable rate component determined by reference to a pricing mechanism or index that is not the same as the pricing mechanism or index used to determine the variable rate interest component on the Parity Bonds to which the Payment Agreement is related, it shall be assumed that the fixed rate used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment Agreement and that the pricing mechanism or index specified by the Payment Agreement is the same as the pricing mechanism or index specified by the Parity Bonds. Notwithstanding the other provisions of this subparagraph (iii), the City shall not be required to (but

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

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

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

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

(v) **Tax Credit Subsidy Payments.** For the purpose of calculating the Reserve Fund Requirement, the City shall deduct from Annual Debt Service the Tax Credit Subsidy Payments the City is scheduled to claim from the federal government in respect of the interest on a series of Parity Bonds that are Tax Credit Subsidy Bonds or other bonds with respect to which the federal government is scheduled to provide direct payments.

"Authorized Denomination" means $5,000 or any integral multiple thereof within a maturity of a Series or such other amount to be established in the Bond Resolution.

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

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

"Bond Purchase Contract" means a written offer to purchase a Series of the Bonds, which offer has been accepted by the City in the Bond Resolution, in accordance with this ordinance. In the case of a competitive sale, the official notice of sale and the Purchaser's bid, together with the award by the City as set forth in the Bond Resolution, shall comprise the purchase contract for purposes of this ordinance.

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

"Bond Registrar" or **"Registrar"** means the Fiscal Agent (unless the Bond Resolution provides for a different Bond Registrar with respect to a particular Series of the Bonds), or any successor bond registrar selected in accordance with the Registration Ordinance.

"Bond Resolution" means a resolution of the City Council adopted pursuant to this ordinance approving the Bond Sale Terms and taking other actions consistent with this ordinance.

"Bond Sale Terms" means the terms and conditions for the sale of a Series of the Bonds, including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption and tender rights, price, and other terms or covenants set forth in Section 5.

"Bonds" means the revenue bonds issued pursuant to this ordinance.

"Capital Appreciation Bonds" means any Parity Bonds as to which interest is payable only at the maturity or prior redemption of such Parity Bonds. For the purpose of (a) receiving payment of the redemption premium, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, or (b) computing the principal amount of Parity Bonds held by the Owner of a Capital Appreciation Bond in giving to the City or the paying agent for those bonds any notice,

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consent, request, or demand pursuant to this ordinance or for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

"CIP" means the portion or portions relating to the Light System of the "2014-2019 Capital Improvement Program" of the City as adopted by the City in Ordinance 124349, together with any previously adopted capital improvement program of the City, as the CIP may be amended, updated, supplemented or replaced from time to time by ordinance.

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

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

"Code" means the Internal Revenue Code of 1986, or any successor thereto, as it has been and may be amended from time to time, and regulations thereunder.

"Conservation Plan" means the 1996 Energy Management Services Plan of the City with respect to the Light System endorsed by the City in Resolution 29427, adopted September 16, 1996, as that plan may be amended, updated, supplemented or replaced from time to time, to the extent that funds are appropriated by the City therefor.

"Deferred Hydroelectric Project Relicensing Costs" means certain costs required by the Federal Energy Regulatory Commission to be incurred as a condition of the renewal of licenses for the Light System's hydroelectric projects, which costs are treated in the same manner as capital expenditures.

"DTC" means The Depository Trust Company, New York, New York.

"Director of Finance" means the Director of the Finance Division of the Department of Finance and Administrative Services of the City, or any other officer who succeeds to substantially all of the responsibilities of that office.

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

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"Future Parity Bonds" means, with reference to any Series of the Bonds, any fixed or variable rate revenue bonds of the City (other than that Series and any other Parity Bonds then outstanding) issued or entered into after the Issue Date of such Series, having a charge or lien upon the Gross Revenues for payment of the principal thereof and interest thereon equal in priority to the charge or lien upon the Gross Revenues for the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds. Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in compliance with Section 13(g) or Section 13(h).

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

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

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

"High Ross Agreement" means the agreement dated as of March 30, 1984, between the City and Her Majesty the Queen in Right of the Province of British Columbia relating to the City's High Ross Dam.

"High Ross Capital Payments" means the deferred portion of the annual capital payments required to be made by the City under Section 5 of the High Ross Agreement, representing the annual cost that would have been incurred by the City for the construction of the High Ross Dam.

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

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

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

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

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Revenue" for any period means that amount determined by deducting from the Gross Revenues the expenses of operation, maintenance and repair of the Light System and further deducting any deposits into the Rate Stabilization Account, and by adding to Gross Revenues any withdrawals from the Rate Stabilization Account. In calculating Net Revenue, the City may include the Tax Credit Subsidy Payments the City expects to receive from the federal

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government in respect to the interest on a series of Parity Bonds that are Tax Credit Subsidy Bonds or other bonds with respect to which the federal government will provide direct payments.

"Outstanding Parity Bonds" means, for purposes of this ordinance, the outstanding series of Parity Bonds described in Exhibit A.

"Owner" means, without distinction, the Registered Owner and the Beneficial Owner of a Bond.

"Parity Bond Fund" means the special fund of the City known as the Seattle Municipal Light Revenue Parity Bond Fund established within the Light Fund pursuant to Ordinance 92938 for the purpose set forth in Section 13(a).

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

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

"Parity Conditions" means the conditions for issuing Future Parity Bonds under the Parity Bond Legislation authorizing the issuance of the Outstanding Parity Bonds.

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

"Payment Agreement" means a written contract entered into, for the purpose of managing or reducing the City's exposure to fluctuations or levels of interest rates or for other interest rate, investment, asset or liability management purposes, by the City and a Qualified Counterparty on either a current or forward basis as authorized by any applicable laws of the State in connection with, or incidental to, the issuance, incurring or carrying of particular bonds,

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notes, bond anticipation notes, commercial paper or other obligations for borrowed money, or lease, installment purchase or other similar financing agreements or certificates of participation therein, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments, or any combination thereof or any similar device.

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

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

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

"Plan of Additions" means the system or plan of additions to and betterments and extensions of the Light System adopted by ordinance, including but not limited to the CIP, the Conservation Plan, the High Ross Capital Payments and the Deferred Hydroelectric Project Relicensing Costs. The Plan of Additions includes all amendments, updates, supplements or replacements to the CIP, the Conservation Plan, the High Ross Capital Payments and the Deferred Hydroelectric Project Relicensing Costs, all of which automatically shall constitute amendments to the Plan of Additions upon approval by ordinance. The Plan of Additions includes the purchase and installation of all materials, supplies, appliances, equipment (including but not limited to data processing hardware and software and conservation equipment) and facilities, the acquisition of all permits, licenses, franchises, property and property rights, other capital assets and all engineering, consulting and other professional services and studies (whether performed by the City or by other public or private entities) necessary or convenient to carry out the Plan of Additions. The Plan of Additions also may be modified to include other improvements without amending the CIP, the Conservation Plan, the High Ross Capital Payments and the Deferred Hydroelectric Project Relicensing Costs, if the City determines by ordinance that those amendments or other improvements constitute a system or plan of additions to or betterments or extensions of the Light System.

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

"Purchaser" means the entity or entities who have been selected in accordance with this ordinance to serve as underwriter, purchaser or successful bidder in a sale of any Series of the Bonds.

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

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

"Qualified Letter of Credit" means any letter of credit issued by a financial institution for the account of the City in connection with the issuance of Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, the financial institution is rated in one of the two highest rating categories by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, or their comparably recognized business successors.

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

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"Rate Stabilization Account" means the fund of that name originally established in the Light Fund pursuant to Ordinance 121637.

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

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

"Refundable Bonds" means any Parity Bonds that are eligible for refunding under Ordinance 121941, as amended by Ordinance 122838, and amended and restated by Ordinance 124335, (as it may be amended from time to time).

"Refunding Parity Bonds" means Future Parity Bonds issued pursuant to Section 13(h) and Ordinance 121941, as amended by Ordinance 122838, and amended and restated by Ordinance 124335, (as it may be amended from time to time), or other Future Parity Bond Legislation, for the purpose of refunding any Refundable Bonds.

"Registered Owner" means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as the City utilizes the book–entry only system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

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

"Reserve Fund" means the special fund of the City known as the Municipal Light and Power Bond Reserve Fund established as a separate account within the Light Fund pursuant to Ordinance 71917, as amended.

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"Reserve Fund Requirement" means, for any issue of the Bonds, the Reserve Fund Requirement established in the Bond Resolution approving that issue, consistent with Section 13(b). For any issue of Future Parity Bonds, the Reserve Fund Requirement means the requirement specified for that issue. The aggregate Reserve Fund Requirement for all Parity Bonds shall be the sum of the Reserve Fund Requirements for each issue of the Parity Bonds. For purposes of this definition, "issue" means all series of Parity Bonds issued pursuant to a single Bond Resolution.

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

"SEC" means the United States Securities and Exchange Commission.

"Securities Depository" means DTC, any successor thereto, any substitute securities depository selected by the City, or the nominee of any of the foregoing. Any successor or substitute Securities Depository must be qualified under applicable laws and regulations to provide the services proposed to be provided by it.

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

"Series of the Bonds" or **"Series"** means a series of the Bonds issued pursuant to this ordinance.

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

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

"State" means the State of Washington.

"Tax Credit Subsidy Bond" means any Parity Bond that is designated by the City as a tax credit bond pursuant to the Code, and which is further designated as a "qualified bond" under

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Section 6431 or similar provision of the Code, and with respect to which the City is eligible to receive a tax credit subsidy payment.

"Tax Credit Subsidy Payment" means a payment by the federal government with respect to a Tax Credit Subsidy Bond.

"Tax-Exempt Bond" means any Parity Bond, the interest on which is intended on the Issue Date to be excluded from gross income for federal income tax purposes.

"Term Bond" means any Parity Bond that is issued subject to mandatory redemption prior to its maturity in Sinking Fund Requirements.

"Undertaking" means the undertaking to provide continuing disclosure entered into pursuant to Section 18, in substantially the form attached as Exhibit B.

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

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

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

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Payment Agreement is in force shall be treated as Variable Interest Rate Bonds if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Section 2. **Adoption of System or Plan.** The City specifies, adopts and orders the Plan of Additions to be carried out as generally provided for in the documents comprising the Plan of Additions. The estimated cost of the Plan of Additions, as nearly as may be determined, is declared to be $1.736 billion, of which $278 million is expected to be financed from proceeds of the Bonds and investment earnings thereon.

Section 3. **Authorization of Bonds.** The City is authorized to issue revenue bonds payable from the sources described in Section 12, in the maximum principal amount stated in Section 5, to provide funds to (a) pay part of the cost of carrying out the Plan of Additions; (b) provide for the Reserve Fund Requirement; (c) capitalize interest on, if necessary, and pay the costs of issuance of the Bonds; and (d) for other Light System purposes approved by ordinance. The Bonds may be issued in one or more Series and may be combined with other Parity Bonds (including Refunding Parity Bonds) authorized separately. The Bonds shall be designated municipal light and power revenue bonds, shall be numbered separately and shall have any name, year and series or other label as deemed necessary or appropriate by the Director of Finance.

Section 4. **Manner of Sale of the Bonds.** The Director of Finance may provide for the sale of each Series by public sale, negotiated sale, limited offering or private placement with one or more Purchasers, or remarketing agent (if the Bonds are issued with Variable Interest Rates), chosen through a selection process acceptable to the Director of Finance. The Director of Finance is authorized to specify a date and time of sale of and a date and time for delivery of each Series of the Bonds; to give notice of that sale; to determine any bid parameters or other bid requirements and criteria for determining the award of the bid; to provide for the use of an electronic bidding mechanism; determine matters relating to a forward or delayed delivery of the Bonds; and to specify other matters and take other actions as in his or her determination are

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necessary, appropriate, or desirable to carry out the sale of each Series of the Bonds. Each Series of the Bonds must be sold on Bond Sale Terms in accordance with Section 5.

Section 5. **Bond Sale Terms; Bond Resolution.** The Director of Finance is appointed to serve as the City's designated representative in connection with the issuance and sale of the Bonds in accordance with RCW 39.46.040(2) and this ordinance. The Director of Finance is authorized to accept, on behalf of the City, the Bond Purchase Contract, remarketing agreement, if applicable, and other applicable agreements on Bond Sale Terms consistent with the parameters set forth in this section. No such acceptance shall be effective until adoption of a Bond Resolution approving the Bond Sale Terms. Once adopted, the Bond Resolution shall be deemed a part of this ordinance as if set forth herein.

(a) Maximum Principal Amount. The Bonds may be issued in one or more Series and shall not exceed the aggregate principal amount of $278 million (which in the case of Variable Rate Bonds means the principal amount outstanding at any one time).

(b) Date or Dates. Each Bond shall be dated its Issue Date, as determined by the Director of Finance. For fixed rate bonds, the Issue Date may not be any later than December 31, 2017.

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

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

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(e) Final Maturity. Each Series of the Bonds shall mature no later than 40 years after its Issue Date.

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

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

(ii) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity consistent with Section 8(b).

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

(h) Other Terms and Conditions.

(i) On the Issue Date of each Series, the average expected life of the capital facilities to be financed with the proceeds of that Series must exceed the weighted average maturity of the Bonds of that Series allocated to financing those capital facilities.

(ii) As of the Issue Date of each Series, the City Council must find that (A) the Parity Conditions will have been met or satisfied, so that such Series may be issued as Parity Bonds, and (B) the issuance and sale of the Series is in the best interest of the City and in the public interest. In making its findings, the City Council shall give due regard to the cost of operation and maintenance of the Light System and to any portion of the Gross Revenues pledged for the payment of any bonds, warrants or other indebtedness, and shall find and determine that the Gross Revenues, at the rates established from time to time consistent with Section 13(d), will be sufficient, in the judgment of the City Council, to meet all expenses of operation and maintenance of the Light System and to provide the amounts previously pledged for the payment of all outstanding obligations payable out of the Gross Revenue and pledged for the payment of the Bonds.

(iii) Any Series may provide for Qualified Insurance, a Qualified Letter of Credit or other credit enhancement, or for Payment Agreements. To that end, the Director of Finance may include such additional terms, conditions and covenants as may be necessary or desirable, including but not limited to: restrictions on investment

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of Bond proceeds and pledged funds, and requirements to give notice to or obtain the consent of a credit enhancement provider or Qualified Counterparty.

(iv) The Bond Resolution must establish the Reserve Fund Requirement, if any, and must set forth the method for satisfying any such requirement, consistent with Section 13(b).

(v) Any Series of the Bonds may be designated or qualified as Tax-Exempt Bonds, Tax Credit Subsidy Bonds, or other taxable bonds, and may include such additional terms and covenants relating to federal tax matters as the Director of Finance deems necessary or appropriate, consistent with Section 14.

Section 6. <u>Bond Registrar; Registration and Transfer of Bonds</u>.

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

(b) Bond Registrar; Transfer and Exchange of Bonds. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Register shall contain the name and mailing address of the Registered Owner of each Bond and the principal amount and number of each of the Bonds held by each Registered Owner.

The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the Registration Ordinance.

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

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same Series, interest rate and

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maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to an Owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the period between the Record Date and the corresponding interest or principal payment date or redemption date.

(c) Securities Depository; Book-Entry Form. The Bonds initially shall be registered in the name of the Securities Depository. The Bonds so registered shall be held fully immobilized in book-entry form by the Securities Depository in accordance with the provisions of the Letter of Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation to participants of the Securities Depository or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by the Securities Depository or its participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners hereunder (except such notice as is required to be given by the Bond Registrar to the Securities Depository). Registered ownership of a Bond initially held in book-entry form, or any portion thereof, may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the City or such substitute Securities Depository's successor; or (iii) to any person if the Bond is no longer held in book-entry form.

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

Section 7. **<u>Payment of Bonds</u>.** The Bonds shall be payable solely out of the Parity Bond Fund, in lawful money of the United States, and shall not be general obligations of the

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City. Principal of and interest on each Bond registered in the name of the Securities Depository is payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The City, however, is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received at least ten days prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 8. <u>Redemption and Purchase of Bonds</u>.

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

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

(c) Selection of Bonds for Redemption; Partial Redemption. If fewer than all of the outstanding Bonds of a Series are to be redeemed at the option of the City, the Director of Finance shall select the Series and maturity or maturities to be redeemed. If fewer than all of the outstanding Bonds of a maturity of a Series are to be redeemed, the Securities Depository shall

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select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations and the Bond Registrar shall select all other Bonds of the Series to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

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

Section 9. <u>Notice of Redemption</u>. Unless otherwise set forth in the Bond Resolution, the City shall cause notice of any intended redemption of Bonds to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register on the Record Date, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the Registered Owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call.

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

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

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

Only Bonds bearing a certificate of authentication in substantially the following form (with the designation, year and Series of the Bonds adjusted consistent with this ordinance), manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "This Bond is one of the fully registered The City of Seattle, Washington, [Municipal Light and Power Improvement Revenue Bonds], [Year], [Series], described in [this ordinance]." The authorized signing of a certificate of authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the City authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated or delivered by the Bond Registrar or issued by the City, that Bond nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized

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to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 12. **Security for the Bonds; Parity with other Bonds.** The Bonds shall be special limited obligations of the City payable from and secured solely by the Gross Revenues and by money in the Parity Bond Fund and the Reserve Fund. The Gross Revenues are pledged to make the payments into the Parity Bond Fund and the Reserve Fund required by Section 13(a) and Section 13(b), which pledge shall constitute a charge upon such Gross Revenues prior and superior to all other charges whatsoever, save and except reasonable charges for maintenance and operation of the Light System.

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

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

Section 13. **Bond Covenants.**

(a) **Parity Bond Fund.** The Parity Bond Fund has been previously created for the sole purpose of paying the principal of and interest on the Parity Bonds as the same shall become due. The Bonds shall be payable (including principal, Sinking Fund Requirements, redemption premium (if any), and interest) out of the Parity Bond Fund. So long as any Parity Bonds or Parity Payment Agreements are outstanding, the Director of Finance shall set aside and pay into the Parity Bond Fund on or prior to the respective dates on which such payments shall become

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due and payable certain fixed amounts out of the Gross Revenues sufficient to make such payments as the same shall become due. Money in the Parity Bond Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on money and investments in the Parity Bond Fund shall be deposited in and used for the purposes of that fund.

(b) Reserve Fund. The Reserve Fund has been previously created for the purpose of securing the payment of the principal of and interest on all Parity Bonds and all amounts due under any Parity Payment Agreements. Money held in the Reserve Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested at the direction of the Director of Finance solely in, and obligations deposited in such accounts shall consist of, Permitted Investments. Earnings on money and investments in the Reserve Fund shall be deposited in that fund and credited against amounts required to be deposited therein until the Reserve Fund is fully funded, and thereafter such earnings shall be deposited in the Parity Bond Fund.

(i) Reserve Fund Requirement. Each Bond Resolution shall establish the Reserve Fund Requirement, if any, for all Bonds issued thereunder and the method for providing for such Reserve Requirement.

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

(B) Notwithstanding the foregoing, any Parity Bond Legislation may provide for the City to obtain one or more Alternate Reserve Securities for specific amounts required to be paid into the Reserve Fund. The amount available to be drawn upon under each such Alternate Reserve Security shall be credited against the amounts required to be maintained in the Reserve Fund by paragraph (A) of this subsection.

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(C) An Alternate Reserve Security may not be cancelable on less than five years' notice. In the event of receipt of any notice of cancellation, the City shall substitute an Alternate Reserve Security in the amount required pursuant to paragraph (A) of this subsection, or in the alternative shall create a special account in the Light Fund and deposit therein, on or before the 25th day of each of the 60 succeeding calendar months, 1/60th of the amount sufficient, together with other money and investments on deposit in the Reserve Fund, to equal the Reserve Fund Requirement on the date any such cancellation shall become effective. Such amounts shall be transferred from money in the Light Fund (after making provision for payment of operating and maintenance expenses and for the required payments into the Parity Bond Fund). Amounts on deposit in such special account shall not be available to pay debt service on Parity Bonds or for any other purpose of the City, and shall be transferred to the Reserve Fund on the effective date of any cancellation of the Alternate Reserve Security to make up the deficiency caused thereby. Amounts in that special account or in the Reserve Fund may be transferred back to the Light Fund and used for any purpose if and when a substitute Alternate Reserve Security is obtained.

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

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

(iii) **Use of Reserve Fund for Payment of Debt Service.** If the money in the Parity Bond Fund is insufficient to meet maturing installments of either interest on or

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principal of and interest on the Parity Bonds (including amounts payable under any Parity Payment Agreements), such deficiency shall be made up from the Reserve Fund by the withdrawal of money or proceeds of Alternate Reserve Securities, as the case may be. Any deficiency created in the Reserve Fund by reason of any such withdrawal or claim against an Alternate Reserve Security shall then be made up out of the Net Revenues or out of any other legally available funds of the City.

(iv) **Withdrawals From Reserve Fund.** Money in the Reserve Fund may be withdrawn by the City for any lawful purpose as long as the aggregate of any money and Alternate Reserve Securities left remaining on deposit in the Reserve Fund is at least equal to the Reserve Fund Requirement for the Parity Bonds then outstanding. The City reserves the right to substitute one or more Alternate Reserve Securities for money previously deposited in the Reserve Fund and to withdraw such excess to the extent described in the preceding sentence. Any withdrawals from subaccounts within the Reserve Fund shall be made on a pro rata basis, except when the terms of an Alternate Reserve Security require that all cash and investments in the Reserve Fund to be withdrawn before any draw or claim is made on the Alternate Reserve Security, or unless the City receives an opinion of Bond Counsel to the effect that such pro rata withdrawal is not required to maintain the federal tax benefits (if any) of any then outstanding Parity Bonds issued as Tax-Exempt Bonds or Tax Credit Subsidy Bonds.

(c) **Sale or Disposition of the Light System.**

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

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

(A) there has been filed with the Director of Finance a certificate of the Professional Utility Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenant set forth in Section 13(d); or

(B) provision is made for the payment, redemption or other retirement of a principal amount of Parity Bonds equal to the greater of the following amounts: (1) an amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of Parity Bonds then outstanding less the amount of cash and investments in the Parity Bond Fund) that the Gross Revenues for the 12 preceding months attributable to the part of the Light System sold or

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disposed of bears to the total Gross Revenues for such period; or (2) an amount which will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the Light System sold or disposed of bears to the book value of the entire Light System immediately prior to such sale or disposition.

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

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

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

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

(f) Books and Financial Statements. The City will keep and maintain proper books of account for the Light System in accordance with generally accepted accounting principles applicable to governmental utilities; will generally adhere to the uniform system of accounts

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prescribed by the State Auditor's Office and the Federal Energy Regulatory Commission (if any); and will prepare, on or before 120 days after each calendar year, annual financial statements showing reasonable detail, including a balance sheet, an income statement and a statement of cash flows or other such statement. Copies of such financial statements shall be placed on file in the office of the Director of Finance and shall be open to inspection at any reasonable time by any owner of any Parity Bonds. A copy of such financial statements shall be sent to any owner of Parity Bonds, upon request in writing setting forth the name and address to which such financial statements may be sent.

(g) Issuance of Future Parity Bonds. Except as provided in Section 13(h) for the issuance of Refunding Parity Bonds, Future Parity Bonds may be issued (and Parity Payment Agreements may be entered into), from time to time in one or more series for any lawful purpose of the City's Light Department, only if at the time of delivery of each series of Future Parity Bonds to the initial purchasers thereof (or on the effective date of the Parity Payment Agreement):

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

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

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

(B) a certificate of the Professional Utility Consultant setting forth: (1) the amount of the Adjusted Net Revenue computed as provided in paragraph

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(iii) below; (2) the amount of maximum Annual Debt Service in any calendar year thereafter on account of all Parity Bonds to be outstanding in such calendar year, including the Parity Bonds proposed to be issued, and stating that the amount shown in paragraph (B)(1) above is not less than 125% of the amount shown in this paragraph (B)(2).

(iii) For the purposes of the certificate required by paragraph (ii) above, Adjusted Net Revenue shall be computed by the Professional Utility Consultant by adjusting the Net Revenue for the Base Period by any or all of the following conditions and requirements as may be appropriate to the circumstances:

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

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

(C) If the purpose for which the Parity Bonds are being issued is to acquire or construct generation or transmission facilities required to furnish or make available to the Light System additional power and energy, or transmission facilities required to enable the City to sell additional power and energy, the Professional Utility Consultant may adjust the Net Revenue for the Base Period by (1) deducting the amount of the estimated increase in operating and maintenance expenses resulting from the acquisition or construction of such facilities in their first year of full operation, (2) adding any additional revenues to be derived from the sale or transmission of such additional power and energy pursuant to executed power sales contracts, and (3) adding an amount equal to the estimated cost of the power and energy which would have been replaced or displaced by such facilities had such additional power and energy in

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excess of the power and energy to be sold pursuant to clause (2) above been used in the Light System during the Base Period.

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

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

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

(iv) In rendering any certificate under this Section 13(g), the Professional Utility Consultant may rely upon, and such certificate shall have attached thereto, (A) financial statements of the Light System, certified by the Director of Finance, showing income and expenses for the period upon which the same are based and a balance sheet as of the end of such period, (B) similar certified statements by the Division of Municipal Corporations of the Office of the State Auditor of the State (or any successor thereto), or (C) similar certified statements by a Certified Public Accountant for as much of such period as any examination by them has been made and completed. If two or more of such statements are inconsistent with each other, the Professional Utility Consultant shall rely on the statement described under clause (A) in this Section 13(g)(iv).

(h) Issuance of Refunding Parity Bonds.

(i) Without complying with the provisions of Section 13(g), the City may at any time and from time to time issue one or more series of Refunding Parity Bonds, but only if there shall have been filed with the City a certificate of the Director of Finance stating that Annual Debt Service immediately after the issuance of such Refunding Parity Bonds (calculated by including debt service on the Refunding Parity Bonds but excluding debt service on the bonds to be refunded with the proceeds thereof) does not exceed the Annual Debt Service immediately prior to

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the issuance of the Refunding Parity Bonds (calculated by including debt service on the bonds to be refunded but excluding debt service on the Refunding Parity Bonds) by more than $5,000 in any calendar year that any then-outstanding Parity Bonds are anticipated to be outstanding.

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

(iii) Refunding Parity Bonds may also be issued upon compliance with the provisions of Section 13(g).

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

Section 14. <u>Provisions Relating to Certain Federal Tax Consequences of the Bonds</u>.

(a) Tax-Exempt Bonds. The City covenants that it will take all actions consistent with the terms of any Series issued as Tax-Exempt Bonds, this ordinance and the Bond Resolution, reasonably within its power and necessary to prevent interest on that Series from being included in gross income for federal income tax purposes, and the City will neither take any action nor make or permit any use of proceeds of such Series or other funds of the City treated as proceeds of the Series at any time during the term of the Series which will cause interest on the Series to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to any Series issued as Tax-Exempt Bonds, take all actions necessary to comply (or to be treated as

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having complied) with that requirement in connection with that Series, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on such Series from being included in gross income for federal income tax purposes.

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

Section 15. **Refunding or Defeasance of Bonds.** The Bonds are hereby designated "Refundable Bonds" for purposes of Ordinance 121941, as amended by Ordinance 122838, and amended and restated by Ordinance 124335, (as it may be amended from time to time). The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and premium, if any, and interest on any Bond, or any portion thereof, included in a refunding or defeasance plan, and to redeem and retire, release, refund or defease those Bonds (the "Defeased Bonds") and to pay the costs of such refunding or defeasance. If money and/or Government Obligations maturing at a time or times and in an amount sufficient, together with known earned income from the investments thereof, to redeem and retire, release, refund or defease the Defeased Bonds in accordance with their terms, are set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement or defeasance (the "Trust Account"), then all right and interest of the Owners of the Defeased Bonds in the covenants of this ordinance and in the Gross Revenue and the funds and accounts pledged to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such Owners thereafter shall have the right to receive payment of the principal of and interest or redemption

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price on the Defeased Bonds from the Trust Account. Unless otherwise specified in the Bond Resolution, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted, in the manner set forth in this ordinance for the redemption of Bonds. After establishing and fully funding of such a Trust Account, the Defeased Bonds shall be deemed no longer outstanding and the City may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes, subject only to the rights of the Owners of any other Parity Bonds.

Section 16. Amendments.

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

(i) To add other covenants and agreements that do not adversely affect the interests of the owners of any Parity Bonds then outstanding, or to surrender any right or power reserved to or conferred upon the City.

(ii) To cure any ambiguities or to cure, correct or supplement any defective provision contained in this ordinance in regard to matters or questions arising under this ordinance as the City Council may deem necessary or desirable and not inconsistent with this ordinance and which do not materially adversely affect the interests of owners of any Parity Bonds then outstanding.

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

Any such supplemental resolution or ordinance may be passed without the consent of the registered owners of the Parity Bonds at the time outstanding, notwithstanding any of the provisions of subsection (b) of this section, but only upon receipt by the City of an opinion of Bond Counsel to the effect that the amendment is permitted by the terms of this ordinance. The City shall deliver a copy of any such supplemental resolution or ordinance to each Rating Agency prior to its passage by the City.

(b) Amendments With Bond Owners' Consent. The City Council may, with the consent of the registered owners representing not less than 60% in aggregate principal amount of

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the Parity Bonds then outstanding, pass supplemental resolutions or ordinances to add to, change, or eliminate any provision of this ordinance or of any supplemental resolution or ordinance, except no such supplemental resolution or ordinance may:

(i) Extend the fixed maturity of any Parity Bond, reduce the rate of interest on any Parity Bond, extend the times of payment of interest from their respective due dates, reduce the principal amount of any Parity Bond, or reduce any redemption premium, without consent from the registered owners of or on behalf of all Parity Bonds so affected; or

(ii) Reduce the percentage of ownership required to approve any such supplemental resolution or ordinance without the consent from the registered owners of or on behalf of all of the Parity Bonds then outstanding.

For purposes of determining whether consents representing requisite percentage of principal amount of Parity Bonds have been obtained, the Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount. It shall not be necessary to obtain approval of the particular form of any proposed supplemental resolution or ordinance, but it shall be sufficient if the consent shall approve the substance thereof.

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

(d) Notation on Bonds. Parity Bonds executed and delivered after the execution of any supplemental resolution or ordinance passed pursuant to the provisions of this section may have a notation as to any matter provided for in such supplemental resolution or ordinance, and if such supplemental resolution or ordinance shall so provide, new bonds modified to conform, in the opinion of the City Council, to any modification of this ordinance contained in any such supplemental resolution or ordinance may be prepared by the City and delivered without cost to

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the owners of any affected Parity Bonds then outstanding, upon surrender for cancellation of such bonds in equal aggregate principal amounts.

Section 17. **Rate Stabilization Account.** The City may at any time deposit in the Rate Stabilization Account, Gross Revenue and any other money received by the Light System and available to be used therefor. Thereafter, the City may withdraw any or all of the money from the Rate Stabilization Account for inclusion in the Net Revenue for any applicable year of the City. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the applicable year for which the deposit or withdrawal will be included as Net Revenue.

Section 18. **Official Statement; Continuing Disclosure.**

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

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

(c) Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for a Series of the

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Bonds, the Director of Finance is authorized to execute a written Undertaking in substantially the form attached as Exhibit B.

Section 19. General Authorization.

In addition to the specific authorizations in this ordinance, 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 his or her judgment may be necessary, appropriate, or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. In particular and without limiting the foregoing:

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

(b) each of the Mayor and the Director of Finance is separately authorized to execute and deliver (i) any and all contracts or other documents as are consistent with this ordinance and for which the City's approval is necessary or to which the City is a party (including but not limited to agreements with escrow agents, refunding trustees, liquidity or credit support providers, bond insurers, remarketing agents, underwriters, lenders, fiscal agents, counterparties to Payment Agreements, custodians, and the Bond Registrar); and (ii) such other contracts or documents incidental to the issuance and sale of a Series of the Bonds; the establishment of the initial interest rate or rates on a Bond; or the tender, purchase, remarketing, or redemption of a Bond, as may in his or her judgment be necessary or appropriate.

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

Section 21. **Ratification of Prior Acts.** Any action taken after passage of this ordinance but prior to its effective date that is consistent with the authority of this ordinance, is ratified, approved and confirmed.

Section 22. **Headings.** Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

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Section 23. **Effective Date.** This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _____, 2014, and signed by me in open session in authentication of its passage this _____ day of _____, 2014.

_____
President of the City Council

Approved by me this ____ day of _____, 2014.

_____
Edward B. Murray, Mayor

Filed by me this ____ day of _____, 2014.

_____
Monica Martinez Simmons, City Clerk

(Seal)

Exhibit A: Outstanding Parity Bonds
Exhibit B: Undertaking to Provide Continuing Disclosure

CITY CLERK

EXHIBIT A

OUTSTANDING CITY LIGHT PARITY BONDS

Issue Name	Dated Date	Original Par Amount	Amount Currently Outstanding	Bond Legislation
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2004	12/23/2004	$284,855,000	$125,020,000	Ord 121637, Res 30732
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2008	12/30/2008	$257,375,000	$185,800,000	Ord 121941, Ord 122807, Ord 122838, Res 31105
Municipal Light and Power Revenue Bonds, 2010A (Taxable Build America Bonds – Direct Payment)	5/26/2010	$181,625,000	$181,625,000	Ord 123169, Ord 123261, Res 31213
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2010B	5/26/2010	$596,870,000	$466,410,000	Ord 121941, Ord 123169, Ord 123261, Res 31213
Municipal Light and Power Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds – Direct Payment)	5/26/2010	$13,275,000	$13,275,000	Ord 123169, Ord 123261, Res 31213
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2011A	2/8/2011	$296,315,000	$266,040,000	Ord 121941, Ord 122838, Ord 123483, Res 31263

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Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds – Direct Payment)	2/8/2011	$10,000,000	$10,000,000	Ord 123483, Res 31263
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2012A	7/17/2012	$293,280,000	$284,755,000	Ord 121941 Ord 122838 123752 Res 31390
Municipal Light and Power Refunding Revenue Bonds, 2012B (Taxable)	7/17/2012	$9,355,000	$4,780,000	Ord 121941 Ord 122838 Res 31390
Municipal Light and Power Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds – Direct Payment)	7/17/2012	$43,000,000	$43,000,000	Ord 123752 Res 31390
Municipal Light and Power Improvement and Refunding Revenue Bonds, 2013	7/9/2013	$190,755,000	$187,730,000	Ord 121941 Ord 122838 Ord 124045 Res 31456

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EXHIBIT B

FORM OF UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The City of Seattle, Washington (the "City") makes the following written Undertaking for the benefit of the owners of the City's [Municipal Light and Power Revenue Bonds, 2015] (the "Bonds"), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance _____ and Resolution _____ (together, the "Bond Legislation").

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

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

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

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

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

(i) Shall consist of annual financial information and operating data regarding the Light System of the type included in the final official statement for the Bonds as follows: (1) annual financial statements of the Light System prepared in accordance with applicable 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 financial 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; (2) a statement of outstanding bonded debt secured by Gross Revenues of the Light System; (3) debt service coverage ratios for the bond debt secured by Gross Revenues of the Light System; (4) sources of Light System power and the MWh produced by those sources; and (5) the average number of customers, revenues, and energy sales by customer class;

(ii) Shall be provided 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 required or permitted by State law, commencing with the City's fiscal year ending December 31, 20__; and

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

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any owner or holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB 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 financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

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

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the outstanding Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion

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of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

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

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

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

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

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

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

(v) Effecting any necessary amendment of the Undertaking.

FAS CITY CLERK

Form revised: February 26, 2014

FISCAL NOTE FOR CAPITAL PROJECTS ONLY

Department:	Contact Person/Phone:	CBO Analyst/Phone:
FAS	Michael Van Dyck 4-8347	Greg Shiring/6-4085

Legislation Title:

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuance of those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

Summary and background of the Legislation:

This legislation provides the legal authorization to issue up to $278 million of bonds for Seattle City Light's System to fund a portion of capital expenditures outlined in the Proposed 2015-2020 Capital Improvement Program (CIP).

Although the Budget, CIP, and adopted rates make specific assumptions about the use of debt financing for a certain share of the CIP, separate authorization for the issuance of bonds is technically required.

A Seattle City Light bond sale for approximately $100 million of variable rate debt is anticipated to occur in June 2015. This variable rate debt is expected to provide cost savings while hedging against the variable interest earned on City Light's cash balances. A separate fixed rate issue of approximately $178 million is expected to follow within two months of the variable rate issue. The bond proceeds, combined with internally generated funds, will support the Seattle City Light's capital program for about 9 months.

The bond sizing is based on the proposed budget and rates, planned cash flow, and cash contribution targets. The bond proceeds will also be used to make a deposit to the construction fund to meet a required debt service reserve requirement, and to pay issuance costs.

Both proposed issues are for a maximum maturity of 30 years. For the variable rate issue, monthly interest payments will commence one month after issue; the amount of interest paid will vary with market interest rates. City Light is assuming a conservative 2.5% interest for the near term and annual debt service in 2016 is estimated to be about $4.8 million. The fixed rate debt issue is expected to have a flat annual debt service payment of around $11.6 million, starting in

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2016. SCL's proposed 4.2% rate increase for 2015 incorporates the debt service costs resulting from this bond issue.

Major projects supported by the bond issue include generator rebuilds, existing network upgrades, relocating electrical service to accommodate transportation projects, advanced metering infrastructure, and construction of the new Denny substation. For further information about SCL's capital projects, please see the Proposed 2015-2020 CIP.

Please check any of the following that apply:

____ **This legislation creates, funds, or anticipates a new CIP Project.**

____ **This legislation does not have any financial implications.**

__x__ **This legislation has financial implications.**

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**

Seattle City Light will be obligated to pay debt service on these bonds through their term.

b) **What is the financial cost of not implementing the legislation?**

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

c) **Does this legislation affect any departments besides the originating department?**

This legislation affects FAS, which will coordinate the issuance of bonds.

What are the possible alternatives to the legislation that could achieve the same or similar objectives?

There are no viable alternatives aside from financing the SCL System's CIP completely from cash. As noted above, this would require massive cuts in capital and/or operating programs or massive rate increases or some combination of both.

d) **Is a public hearing required for this legislation?**

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No

e) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No

f) Does this legislation affect a piece of property?

No

g) Other Issues:

None

List attachments to the fiscal note below:

DOS CITY CLERK

City of Seattle
Edward B. Murray
Mayor

September 22, 2014

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill, which will authorize the issuance of up to $278 million of Municipal Light and Power Revenue Bonds as assumed in the 2015 Proposed Budget and Proposed 2015-2020 Capital Improvement Program (CIP). Together with cash from operations, grants, and third party contributions, the bond proceeds related to this Bill will support the City's capital program and pay costs associated with the bond issuance.

Projects funded by SCL's revenue bonds include generator rebuilds to maintain output and reliability, security improvements, existing network upgrades, and relocating electrical service to accommodate transportation projects. Additionally, proceeds from these bonds will be used to support the utility's conservation program.

Thank you for your consideration of this legislation. Should you have questions, please contact Michael Van Dyck in the Department of Finance and Administrative Services (FAS) at 684-8347.

Sincerely,

Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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