

EXHIBIT B

FORM OF CONTINUING DISCLOSURE AGREEMENT

The City of Seattle, Washington (the “City”) makes the following written undertaking (the “Undertaking”) for the benefit of the Owners of the City’s Water System Refunding Revenue Bonds, [Year] [Series] (the “Bonds”), for the sole purpose of assisting the underwriter for the Bonds, in meeting the requirements of paragraph (b)(5) of Rule 15c2-12 (the “Rule”), as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance _____ (the “Bond Ordinance”).

(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 Municipal Securities Rulemaking Board (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 Water System (the “Water System”) of the type included in the final official statement for the Bonds and described in subsection (b) of this section (“annual financial information”). The timely filing of unaudited financial statements shall satisfy the requirements and filing deadlines pertaining to the filing of annual financial statements under subsection (b), provided that audited financial statements are to be filed if and when they are otherwise prepared and available to the City.

(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

1 other material notices or determinations with respect to the tax status of the Bonds, or other material
2 events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if
3 material; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material,
4 and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment
5 of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar
6 event of the City, as such “Bankruptcy Events” are defined in the Rule; (13) the consummation of a
7 merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the
8 assets of the City other than in the ordinary course of business, the entry into a definitive agreement
9 to undertake such an action or the termination of a definitive agreement relating to any such actions,
10 other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or
11 the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if
12 material, or agreement to covenants, events of default, remedies, priority rights, or other similar
13 terms of a financial obligation of the City, any of which affect holders of the Bonds, if material; and
14 (16) any default, event of acceleration, termination event, modification of terms, or other similar
15 event under the terms of a financial obligation of the City, any of which reflect financial difficulties.

16 For purposes of this Undertaking, the term “financial obligation” shall mean a debt
17 obligation; derivative instrument entered into in connection with, or pledged as security or a source
18 of payment for, an existing or planned debt obligation; or a guarantee of either a debt obligation or a
19 derivative instrument entered into in connection with, or pledged as security or a source of payment
20 for, an existing or planned debt obligation. The term “financial obligation” does not include
21 municipal securities as to which a final official statement has been provided to the MSRB consistent
22 with the Rule.

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

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

4 (i) Shall consist of (1) annual financial statements of the Water System prepared
5 in accordance with applicable generally accepted accounting principles applicable to governmental
6 units (except as otherwise noted therein), as such principles may be changed from time to time and as
7 permitted by applicable state law; (2) a statement of outstanding bonded debt secured by Net
8 Revenue of the Water System; (3) debt service coverage ratios; (4) general customer statistics, such
9 as number and type of customers and revenues by customer class; and (5) current water rates;

10 (ii) Shall be provided not later than the last day of the ninth month after the end
11 of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may
12 be changed as required or permitted by state law, commencing with the City’s fiscal year ending
13 December 31, 20__; and

14 (iii) May be provided in a single document or multiple documents, and may be
15 incorporated by specific reference to documents available to the public on the Internet website of the
16 MSRB or filed with the Securities and Exchange Commission.

17 (c) Amendment of Undertaking. This Undertaking is subject to amendment after the
18 primary offering of the Bonds without the consent of any Owner or holder of any Bond, or of any
19 broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB,
20 under the circumstances and in the manner permitted by the Rule, including:

21 (i) The amendment may only be made in connection with a change in
22 circumstances that arises from a change in legal requirements, change in law, or change in the
23 identity, nature, or status of the City, or type of business conducted by the City;

1 (ii) The Undertaking, as amended, would have complied with the requirements of
2 the Rule at the time of the primary offering, after taking into account any amendments or
3 interpretations of the Rule, as well as any change in circumstances; and

4 (iii) The amendment does not materially impair the interests of holders, as
5 determined either by parties unaffiliated with the City (e.g., bond counsel or other counsel familiar
6 with federal securities laws), or by an approving vote of bondholders pursuant to the terms of the
7 Bond Ordinance at the time of the amendment.

8 The City will give notice to the MSRB of the substance (or provide a copy) of any
9 amendment to this Undertaking and a brief statement of the reasons for the amendment. If the
10 amendment changes the type of annual financial information to be provided, the annual financial
11 information containing the amended financial information will include a narrative explanation of the
12 effect of that change on the type of information to be provided.

13 (d) Beneficiaries. This Undertaking shall inure to the benefit of the City and any Owner
14 of Bonds, and shall not inure to the benefit of or create any rights in any other person.

15 (e) Termination of Undertaking. The City's obligations under this Undertaking shall
16 terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. In
17 addition, the City's obligations under this Undertaking shall terminate if those provisions of the Rule
18 that require the City to comply with this Undertaking become legally inapplicable in respect of the
19 Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other
20 counsel familiar with federal securities laws delivered to the City, and the City provides timely notice
21 of such termination to the MSRB.

22 (f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the
23 City learns of any material failure to comply with this Undertaking, the City will proceed with due
24 diligence to cause such noncompliance to be corrected. No failure by the City or other obligated
25 person to comply with this Undertaking shall constitute a default in respect of the Bonds. The sole

1 remedy of any Owner of a Bond shall be to take such actions as that Owner deems necessary,
2 including seeking an order of specific performance from an appropriate court, to compel the City or
3 other obligated person to comply with this Undertaking.

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

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

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

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

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

21 (v) Effecting any necessary amendment of the Undertaking.