



Legislation Text

File #: CB 119674, Version: 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the electric system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing municipal light and electric power generation, transmission, and distribution system of the City; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds to pay part of the cost of carrying out that system or plan, providing for the reserve fund requirement (if any), and paying the costs of issuance of the bonds; providing parameters for the bond sale terms including conditions, covenants, and other sale terms; describing the lien of the bonds and authorizing their issuance as either senior lien parity bonds or junior lien bonds; and ratifying and confirming certain prior acts.

WHEREAS, The City of Seattle (the “City”) owns, operates and maintains a municipal light and electric power generation, transmission, and distribution system (the “Light System”) which Light System has from time to time required various additions, improvements, betterments, and extensions; and

WHEREAS, the City needs to acquire and construct certain additions, improvements, and betterments to and extensions of the Light System (the “Plan of Additions”) as described in this ordinance, and needs to borrow funds to pay a portion of the costs of carrying out such Plan of Additions; and

WHEREAS, the City currently has outstanding certain municipal light and power revenue bonds (as identified in Exhibit A, the “Outstanding Parity Bonds”) having a charge and lien upon Gross Revenues of the Light System available after payment of Operating and Maintenance Expense (“Net Revenue”) prior and superior to all other charges whatsoever; and

WHEREAS, pursuant to the Outstanding Parity Bond Ordinances, the City reserved the right to issue additional municipal light and power revenue bonds (“Future Parity Bonds”) having a lien and charge on Net Revenue of the Light System on parity with the lien and charge of the Outstanding Parity Bonds, upon

satisfaction of certain conditions (the “Parity Conditions”); and

WHEREAS, pursuant to the Outstanding Parity Bond Ordinances, the City also reserved the right to issue additional municipal light and power revenue bonds or other obligations having a lien and charge on Net Revenue of the Light System that is junior and subordinate to the lien and charge of the Outstanding Parity Bonds (the “Junior Lien Bonds”); and

WHEREAS, after due consideration, the City has determined that it is in the best interest of the City and its ratepayers to authorize, subject to the provisions of this ordinance, the issuance and sale of municipal light and power revenue bonds as either Parity Bonds or Junior Lien Bonds to pay part of the cost of the Plan of Additions, to provide for the reserve fund requirement (if any), and to pay the costs of issuance of those bonds; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. **Definitions.** As used in this ordinance, the following capitalized terms shall have the meanings set forth below.

“**Accreted Value**” means with respect to any Capital Appreciation Bond (a) as of any Valuation Date, the amount determined for such Valuation Date in accordance with the applicable Bond Documents, 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, and (B) the difference between the Accreted Values for such Valuation Dates.

“**Adjusted Net Revenue**” means Net Revenue, less any deposits into the Rate Stabilization Account and plus 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 government in respect to

the interest on any Tax Credit Subsidy Bonds (or with respect to which the federal government will provide direct payments). In a Parity Certificate, Adjusted Net Revenue is subject to further adjustment as set forth in Section 18(a)(ii). In a Junior Lien Coverage Certificate, Adjusted Net Revenue is subject to further adjustment as set forth in Section 18(b)(ii).

“**Alternate Reserve Security**” means Qualified Insurance or a Qualified Letter of Credit that is used by the City to satisfy part or all of the Reserve Fund Requirement, and that is not cancelable on less than five years’ notice.

“**Annual Debt Service**” means, with respect to either Parity Bonds (or a series of Parity Bonds) (“**Annual Parity Bond Debt Service**”) or Junior Lien Bonds (or a series of Junior Lien Bonds) (“**Annual Junior Lien Debt Service**”), as applicable, the sum of the amounts required in a calendar year to pay the interest due in such calendar year (excluding interest to be paid from the proceeds of the sale of bonds), the principal of Serial Bonds maturing in such calendar year, and the Sinking Fund Requirements for any Term Bonds due in such calendar year. Additionally, for purposes of this definition:

(a) **Calculation of Interest Due - Generally.** Except as otherwise provided below, interest shall be calculated based on the actual amount of accrued, accreted, or otherwise accumulated interest that is payable in respect of the relevant series of Parity Bonds or Junior Lien Bonds, as applicable, taken as a whole, at the rate or rates set forth in the applicable Bond Documents.

(b) **Capital Appreciation Bonds.** 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 the Bond Documents applicable to such Capital Appreciation Bonds.

(c) **Variable Interest Rate Bonds.**

(i) **Assumed Interest on Variable Interest Rate Parity Bonds.** The amount of interest deemed to be payable on any series of Parity Bonds that are Variable Interest Rate Bonds shall be calculated on

the assumption that the interest rate on those bonds is equal to the rate that is 90% of the average RBI during the four calendar quarters ending at least 15 days preceding the quarter in which the calculation is made. *Upon the Parity Covenant Date, the following sentence shall replace the immediately preceding sentence: The amount of interest deemed to be payable on any series of Parity Bonds that are Variable Interest Rate Bonds shall be calculated on the assumption that the interest rate on those bonds is equal to the highest 12-month rolling average of the SIFMA Municipal Swap Index over the preceding ten years. And, upon the Second Parity Covenant Date, a five-year look-back period shall be substituted for the ten-year period referenced in the immediately preceding sentence.*

(ii) **Assumed Interest on Variable Interest Rate Junior Lien Bonds.** The amount of interest deemed to be payable on any series of Junior Lien Bonds that are Variable Interest Rate Bonds shall be calculated on the assumption that the interest rate on those bonds is equal to the highest 12-month rolling average (ending with the month preceding the date of the calculation) of the SIFMA Municipal Swap Index over the preceding five years.

(d) **Interest on Bonds with Respect to Which a Payment Agreement is in Force.** In general, debt service on any bonds (Parity Bonds or Junior Lien Bonds, as applicable) 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 applicable Bond Documents and the terms of the Payment Agreement. For example, if the net effect of the Payment Agreement on a series of bonds otherwise bearing interest at a variable interest rate is to produce an obligation bearing interest at a fixed rate, the relevant series of bonds shall be treated as fixed rate bonds. And if the net effect of the Payment Agreement on a series of bonds otherwise bearing interest at a fixed interest rate is to produce an obligation bearing interest at a variable interest rate, the relevant series of bonds shall be treated as Variable Interest Rate Bonds.

Accordingly, the amount of interest deemed to be payable on any series of Parity Bonds (or Junior Lien Bonds, as applicable) 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 or determined pursuant to the applicable Bond Documents, 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 series of bonds to which the Payment Agreement is related, it shall be assumed that: (i) the fixed rate used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment Agreement, and (ii) the pricing mechanism or index specified by the Payment Agreement is the same as the pricing mechanism or index specified by the applicable Bond Documents. Notwithstanding the other provisions of this definition, the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less.

(e) **Parity Payment Agreements; Junior Lien Payment Agreements.** For any period during which Payment Agreement Payments under a Parity Payment Agreement (or Junior Lien Payment Agreement, as applicable) are taken into account in determining Annual Debt Service on the related Parity Bonds (or Junior Lien Bonds, as applicable) under subsection (d), no additional debt service shall be taken into account with respect to that Parity Payment Agreement (or a Junior Lien Payment Agreement, as applicable). However, for any period during which Payment Agreement Payments are not taken into account under subsection (d) because the Parity Payment Agreement (or Junior Lien Payment Agreement, as applicable) is not then related to any outstanding Parity Bonds (or Junior Lien Bonds, as applicable), payments on that Payment Agreement shall be taken into account by assuming:

(i) **If City is 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, it shall be assumed 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 Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made.

(ii) **If City is 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, it shall be assumed 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 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 Payment Agreement.

(f) **Balloon Bonds.** *Upon the Parity Covenant Date, the following sentence shall become effective: In calculating Annual Debt Service for any series of Parity Bonds, the City may in its discretion treat the debt service requirements with respect to Parity Bonds that are Balloon Bonds (including principal of and interest on such bonds at the applicable rate or rates) as being amortized in approximately equal annual installments over a period equal to the longer of 30 years or the remaining term of such series of Parity Bonds.*

In calculating Annual Debt Service for any series of Junior Lien Bonds, the City may in its discretion treat the debt service requirements with respect to Junior Lien Bonds that are Balloon Bonds (including principal of and interest on such bonds at the applicable rate or rates) as being amortized in approximately equal annual installments over a period equal to the longer of 30 years or the remaining term of such series of Junior Lien Bonds.

(g) **Adjustments for Defeased Bonds.** For purposes of determining compliance with the rate covenants set forth in Sections 17(a)(ii) and 17(b)(ii), calculating the Reserve Fund Requirement, and making coverage ratio calculations in connection with the delivery of a Parity Certificate or Junior Lien Coverage Certificate, Annual Debt Service shall be adjusted as set forth in Section 20(d).

(h) **Reimbursement Obligations.** If any payment under a Parity Reimbursement Obligation is then

due and payable, or is then reasonably expected to become due and payable, the reasonably estimated amount and timing of such payment, calculated in accordance with applicable generally accepted accounting principles and as reflected in the annual financial statements of the Light System, shall be included in calculating Annual Debt Service for purposes of delivering a Parity Certificate. If any payment under a Parity Reimbursement Obligation, an Intermediate Lien Reimbursement Obligation, or a Junior Lien Reimbursement Obligation is then due and payable, or is then reasonably expected to become due and payable, the reasonably estimated amount and timing of such payment, calculated in accordance with applicable generally accepted accounting principles and as reflected in the annual financial statements of the Light System, shall be included in calculating Annual Junior Lien Debt Service for purposes of delivering a Junior Lien Coverage Certificate.

“Authorized Denomination” means \$5,000 or any integral multiple thereof within a maturity of a Series, or such other minimum authorized denominations as may be specified in the applicable Bond Documents.

“Average Annual Debt Service” means, for purposes of calculating the Reserve Fund Requirement with respect to all Parity Bonds outstanding at the time of calculation, the sum of the Annual Parity Bond Debt Service remaining to be paid to the last scheduled maturity of the applicable Parity Bonds, divided by the number of years such Parity Bonds are scheduled to remain outstanding.

“Balloon Bonds” means any series of either Parity Bonds or Junior Lien Bonds, as applicable, the aggregate principal amount (including Sinking Fund Requirements) of which becomes due and payable in any calendar year in an amount that constitutes 25% or more of the initial aggregate principal amount of such series.

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

“Bond” means a municipal light and power revenue bond issued pursuant to this ordinance.

“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 Documents” means (a) (i) with respect to any Series of the Bonds, this ordinance (including any amendatory or supplemental ordinances), (ii) with respect to a series of Parity Bonds other than a Series of the Bonds, the applicable Parity Bond Ordinance(s), and (iii) with respect to any Junior Lien Bonds other than a Series of the Bonds, the applicable Junior Lien Bond Ordinance(s); (b) the authenticated bond form; and (c) the written agreement(s) setting forth the Bond Sale Terms and additional terms, conditions, or covenants pursuant to which such bond was issued and sold, as set forth in any one or more of the following (if any): (i) a sale resolution, (ii) a bond purchase contract (as defined in the applicable authorizing ordinance), (iii) a bond indenture or a fiscal agent or paying agent agreement (other than the State fiscal agency contract), and (iv) a direct purchase or continuing covenant agreement.

“Bond Owners’ Trustee” means a bank or trust company organized under the laws of the State, or a national banking association, appointed in accordance with Section 24(e) of this ordinance to act as trustee on behalf of the owners, from time to time, of either the outstanding Parity Bonds or the outstanding Junior Lien Bonds, as the case may be.

“Bond Purchase Contract” means a written offer to purchase a Series of the Bonds pursuant to certain Bond Sale Terms, which offer has been accepted by the City in accordance with this ordinance. In the case of a competitive sale, the Purchaser’s bid for a Series, together with the official notice of sale and a Pricing Certificate confirming the Bond Sale Terms, shall comprise the Bond Purchase Contract.

“Bond Register” means the books or records maintained by the Bond Registrar for the purpose of registering ownership of each Bond.

“Bond Registrar” means the Fiscal Agent (unless the Director of Finance appoints a different person to act as bond registrar with respect to a particular Series), or any successor bond registrar selected in accordance with the Registration Ordinance.

“Bond Sale Terms” means the terms and conditions for the sale of a Series of the Bonds approved by the Director of Finance consistent with the parameters set forth in Section 5, including the maximum principal

amount, date or dates, denominations, interest rate or rates (or mechanism for determining the interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms, conditions or covenants. In connection with a negotiated sale or private placement, the Bond Sale Terms shall be set forth in the Bond Purchase Contract; in connection with a competitive sale, the Bond Sale Terms shall be set forth in a Pricing Certificate.

“Book-Entry Form” means a fully registered form in which physical bond certificates are registered only in the name of the Securities Depository (or its nominee), as Registered Owner, with the physical bond certificates held by and “immobilized” in the custody of the Securities Depository or its designee, where the system for recording and identifying the transfer of the ownership interests of the Beneficial Owners in those Bonds is neither maintained by nor the responsibility of the City or the Bond Registrar.

“CIP” means the portion or portions of the “2019-2024 Capital Improvement Program” adopted by the City in Ordinance 125724 relating to the Light System, together with those portions of any previously adopted capital improvement program of the City relating to the Light System, as the CIP may be amended, updated, supplemented, or replaced from time to time by ordinance.

“Capital Appreciation Bond” means any Parity Bond or Junior Lien Bond, all or a portion of the interest on which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in the applicable Bond Documents, and is payable only upon redemption or on the maturity date of such Capital Appreciation Bond. A Parity Bond or a Junior Lien Bond that is issued as a Capital Appreciation Bond, but which later converts to an obligation on which interest is paid periodically, shall be a Capital Appreciation Bond until the conversion date and thereafter shall no longer be a Capital Appreciation Bond, but shall be treated as having a principal amount equal to its Accreted Value on the conversion date. For purposes of (a) receiving payment of the redemption premium, if any, on a Capital Appreciation Bond that is redeemed prior to maturity, or (b) computing the principal amount of Parity Bonds (or Junior Lien Bonds, a applicable) held by the Owner of a Capital Appreciation Bond in connection with any notice, 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 at the time that such notice, consent, request, or demand is given or made.

“**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 Conservation Potential Assessment 2016 of the City with respect to the Light System endorsed by the City Council in Resolution 31631, adopted January 11, 2016, 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.

“**Construction Account**” means such fund, subfund or account within the Light Fund as may be designated from time to time by the Director of Finance for the payment of costs of the Plan of Additions.

“**Continuing Disclosure Agreement**” means, for each Series that is sold in an offering subject to federal securities regulations requiring a written undertaking to provide continuing disclosure, a continuing disclosure agreement entered into pursuant to Section 22 in substantially the form attached as Exhibit B.

“**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.

“**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.

“**DTC**” means The Depository Trust Company, New York, New York.

“**Event of Default**” has the meaning given in Section 24. A “Parity Bond Event of Default” shall refer

to those Events of Default relating to nonpayment of Parity Bonds, or defaults in respect of the Parity Bond covenants set forth herein and in the applicable Parity Bond Documents giving rise to remedies available to the owners of Parity Bonds. A “Junior Lien Bond Event of Default” shall refer to those Events of Default relating to nonpayment of Junior Lien Bonds, or in respect of the Junior Lien Bond covenants set forth herein and in the applicable Junior Lien Bond Documents giving rise to remedies available to the owners of Junior Lien Bonds.

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

“**Future Junior Lien Bonds**” means, with reference to any Series designated as Junior Lien Bonds, any revenue obligations of the Light System issued or entered into after the Issue Date of such Series, the payment of which constitutes a charge and lien upon Net Revenue equal in priority with the charge and lien upon such revenue for the payment of the amounts required to be paid into the Junior Lien Debt Service Fund to pay and secure payment of the Junior Lien Bonds (including Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations), in accordance with the priority of payment set forth in Section 14. Future Junior Lien Bonds may include Junior Lien Payment Agreements issued in compliance with the Junior Lien Additional Bonds Test.

“**Future Parity Bond Ordinance**” means any ordinance passed by the City Council providing for the issuance and sale of a series of Future Parity Bonds, and any other ordinance amending or supplementing the provisions of any such ordinance.

“**Future Parity Bonds**” means, with reference to any Series designated as Parity Bonds, any revenue obligations of the Light System issued or entered into after the Issue Date of such Series, the payment of which constitutes a charge and lien upon Net Revenue equal in priority with the charge and lien upon such revenue for the payment of the amounts required to be paid into the Parity Bond Fund and the Reserve Fund to pay and secure payment of the Parity Bonds (including Parity Payment Agreements), in accordance with Section 14. Future Parity Bonds may include Parity Payment Agreements and any other obligations issued in compliance

with the Parity Conditions.

“Government Obligations” means, unless otherwise limited in the Bond Documents for a particular Series of the Bonds, any government obligation as that term is defined 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 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.

“Intermediate Lien Reimbursement Obligation” means any payment or reimbursement obligation incurred under a written agreement entered into in connection with a series of Parity Bonds or to obtain Qualified Insurance or a Qualified Letter of Credit, under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue junior in rank to the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund to pay and secure the payment of the Parity Bonds, but senior to the lien and charge upon such Net Revenue required to be paid into the Junior Lien Debt Service Fund to pay and secure the payment of the Junior Lien Bonds. For purposes of determining percentages of ownership of Bonds under this ordinance or under any Bond Documents, Intermediate Lien Reimbursement Obligations shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Intermediate Lien Reimbursement Obligations.

“Issue Date” means, with respect to a Bond, the initial date on which that Bond is issued and delivered to the initial Purchaser in exchange for its purchase price.

“Junior Lien Additional Bonds Test” means the conditions set forth in Section 18(b) for issuing additional Junior Lien Bonds (including Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations).

“Junior Lien Bond” means, generally, any bond or obligation secured by a lien and charge on Net Revenue that is junior and subordinate to the lien and charge of the Parity Bonds and Intermediate Lien Reimbursement Obligations, but prior and superior to other liens and charges, in accordance with the priority of payment set forth in Section 14. The term Junior Lien Bond may refer to (a) any Bond of a Series issued pursuant to this ordinance that is so designated by the Director of Finance upon satisfaction of the Junior Lien Additional Bonds Test, (b) any Future Junior Lien Bond; (c) any Junior Lien Payment Agreement; and (d) any Junior Lien Reimbursement Obligation.

“Junior Lien Bond Documents” means those Bond Documents applicable to a series of Junior Lien Bonds.

“Junior Lien Bond Ordinance” means this ordinance, and any other ordinance passed by the City Council in the future authorizing the issuance and sale of any Future Junior Lien Bonds, including any ordinance amending or supplementing the provisions of any Junior Lien Bond Ordinance.

“Junior Lien Coverage Certificate” means a certificate delivered pursuant to Section 18(b)(ii), for purposes of satisfying the Junior Lien Additional Bonds Test in connection with the issuance of Future Junior Lien Bonds.

“Junior Lien Debt Service Fund” means the special fund of the City known as the Seattle Municipal Light Revenue Junior Lien Debt Service Fund established within the Light Fund pursuant to Ordinance 125459 for purpose of paying and securing the principal of and interest on Junior Lien Bonds and securing obligations under Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations.

“Junior Lien Payment Agreement” means any Payment Agreement, which is entered into in compliance with the Junior Lien Additional Bonds Test, and under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank with the lien and charge upon such Net Revenue required to be paid into the Junior Lien Debt Service Fund to pay and secure the payment of the Junior Lien Bonds in accordance with Section 14. For purposes of determining percentages of ownership of Junior Lien Bonds under this ordinance or under any Bond Documents, Junior Lien Payment Agreements shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Junior Lien Payment Agreement.

“Junior Lien Reimbursement Obligation” means any reimbursement obligation incurred under a written reimbursement agreement (or similar agreement) entered into in connection with a series of Junior Lien Bonds to obtain Qualified Insurance or a Qualified Letter of Credit, under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank with the lien and charge upon

such Net Revenue required to be paid into the Junior Lien Debt Service Fund to pay and secure the payment of the Junior Lien Bonds. For purposes of determining percentages of ownership of Junior Lien Bonds under this ordinance or under any Bond Documents, Junior Lien Reimbursement Obligations shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Junior Lien Reimbursement Obligations.

“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 generation, transmission, and distribution system now belonging to or which may hereafter belong to the City.

“Maximum Annual Debt Service” means, with respect to Parity Bonds (or Junior Lien Bonds, as applicable) the maximum amount of Annual Debt Service that shall become due in the current calendar year or in any future calendar year with respect to those Parity Bonds (or Junior Lien Bonds, as applicable) that are outstanding as of the calculation date.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenue” for any period means Gross Revenues less Operating and Maintenance Expense.

“Omnibus Refunding Ordinance” means Ordinance 125460, passed by the City Council on November 20, 2017, authorizing the issuance of refunding bonds (as such ordinance may be amended from time to time) or any other ordinance of the City passed in the future, pursuant to which the Bonds (or any Series of the Bonds) are designated as Refundable Bonds.

“Operating and Maintenance Expense” means all reasonable charges incurred by the City in causing the Light System to be operated and maintained in good repair, working order and condition, including but not

limited to all operating expenses under applicable generally accepted accounting principles included in the annual audited financial statements of the Light System, except those excluded in this definition. Operating and Maintenance Expense does not include: (a) extraordinary, nonrecurring expenses of the Light System or any judgments or amounts to be paid in settlement of claims against the Light System, (b) non-cash expenses relating to a mark-to-market treatment of energy-related contracts, (c) any costs or expenses (including interest expense) for new construction, replacements, or renewals of Light System property, (d) Deferred Hydroelectric Project Relicensing Costs, the High Ross Capital Payments, or other similar payments under any agreement for the development or licensing of a capital improvement or asset, under which agreement the City agrees to make periodic payments in respect of its share of the capital expense, (e) any allowance for depreciation, amortization, or similar recognitions of non-cash expense items made for accounting purposes only (including non-cash pension expense), (f) any taxes levied by or paid to the City (or payments in lieu of taxes) upon the properties or earnings of the Light System, or (g) any obligation authorized pursuant to ordinance or resolution specifically excluding the payment of such obligation from Operating and Maintenance Expense.

“Outstanding Junior Lien Bonds” means, with reference to a particular Series of Junior Lien Bonds issued pursuant to this ordinance, those Junior Lien Bonds that are outstanding as of the Issue Date of such Series.

“Outstanding Parity Bonds” means those outstanding Parity Bonds identified in Exhibit A. When used in reference to a particular date or series of Parity Bonds, Outstanding Parity Bonds shall mean those Parity Bonds (including any Parity Bonds issued subsequent to the date of this ordinance) that are outstanding as of that date or as of the issue date of such series.

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

“Parity Bond” means, generally, any bond or obligation secured by a lien and charge on Net Revenue that is prior and superior to any other liens or charges whatsoever, in accordance with the priority of payment set forth in Section 14. The term Parity Bond may refer to: (a) the Outstanding Parity Bonds identified in

Exhibit A; (b) each Series of the Bonds designated by the Director of Finance as a Series of Parity Bonds upon satisfaction of the Parity Conditions; (c) any Future Parity Bonds; and (d) any Parity Payment Agreement entered into upon satisfaction of the Parity Conditions.

“Parity Bond Documents” means those Bond Documents applicable to a series of Parity Bonds.

“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 of paying and securing the payment of principal of and interest on Parity Bonds (including Parity Payment Agreement Payments) and, *from and after the Parity Covenant Date, payments under Parity Reimbursement Obligations.*

“Parity Bond Ordinance” means any ordinance passed by the City Council providing for the issuance and sale of any Series of Parity Bonds, and any other ordinance amending or supplementing the provisions of any Parity Bond Ordinance.

“Parity Certificate” means a certificate delivered pursuant to Section 18(a)(ii) for purposes of satisfying the Parity Conditions in connection with the issuance of Future Parity Bonds.

“Parity Conditions” means, (a) for purposes of establishing that a Series of the Bonds may be issued on parity with the Parity Bonds outstanding as of the Issue Date of such Series, the conditions for issuing Future Parity Bonds set forth in the Parity Bond Ordinances relating to those Parity Bonds that are then outstanding; and (b) for purposes of issuing Future Parity Bonds on parity with a Series of the Bonds, the conditions described in the preceding clause (a) together with the conditions set forth in Section 18(a).

“Parity Covenant Date” means the earlier of (a) the date on which the City has obtained consents of the requisite percentage (as set forth in Section 23(b)) of Registered Owners of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the following Outstanding Parity Bonds have been redeemed or defeased: Municipal Light and Power Revenue Bonds, 2010A (Taxable Build America Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2010B; Municipal Light and Power Revenue Bonds,

2010C (Taxable Recovery Zone Economic Development Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2011A; Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2012A; Municipal Light and Power Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2013; Municipal Light and Power Improvement and Refunding Revenue Bonds, 2014; and Municipal Light and Power Revenue Bonds, 2015A.

“Parity Payment Agreement” means a Payment Agreement that is entered into in compliance with the Parity Conditions and under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank with the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund and the Reserve Fund to pay and secure the payment of principal of and interest on Parity Bonds in accordance with Section 14. For purposes of determining percentages of ownership of Parity Bonds under this ordinance or under any Bond Documents, Parity Payment Agreements shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Parity Payment Agreement.

“Parity Reimbursement Obligation” means any payment or reimbursement obligation incurred under a written agreement entered into in connection with a series of Parity Bonds or to obtain Qualified Insurance or a Qualified Letter of Credit (other than Qualified Insurance or a Qualified Letter of Credit obtained to satisfy all or part of the Reserve Fund Requirement), under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank to the lien and charge 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 the Parity Bonds. Parity Reimbursement Obligations accruing as a result of a mandatory tender for purchase of Parity Bonds shall be excluded from the calculation of Annual Debt Service for all purposes. For purposes of determining percentages of ownership of Parity Bonds, Parity Reimbursement Obligations shall be deemed to

have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Parity Reimbursement Obligations.

“Payment Agreement” means a written agreement entered into by the City and a Qualified Counterparty, as authorized by any applicable laws of the State, for the purpose of managing or reducing the City’s exposure to fluctuations or levels of interest rates, or for other interest rate, investment, or asset or liability management purposes, and which provides for (i) an exchange of payments based on interest rates, ceilings, or floors on such payments, (ii) options on such payments; (iii) any combination of the foregoing, or (iv) any similar device. A Payment Agreement may be entered into on either a current or forward basis. A Payment Agreement must be entered into in connection with (or incidental to) the issuance, incurring, or carrying of particular bonds, notes, bond anticipation notes, commercial paper, or other obligations for borrowed money (which may include leases, installment purchase contracts, or other similar financing agreements or certificates of participation in any of the foregoing).

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

“Payment Agreement Receipts” means the amounts periodically required to be paid by a 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 shall automatically 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.

“Pricing Certificate” means a certificate executed by the Director of Finance as of the pricing date confirming the Bond Sale Terms for the sale of a Series of the Bonds to the Purchaser in a competitive sale, in accordance with the parameters set forth in Section 5.

“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 by the Director of Finance 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, surety bond, or similar credit enhancement device, issued by any insurance company licensed to conduct an insurance business in any state of the United States, by a service corporation acting on behalf of one or more such insurance companies, or by

any other financial institution, the provider of which, as of the time of issuance of such credit enhancement device, is rated in one of the two highest rating categories (without regard to gradations within such categories) by at least two nationally recognized rating agencies.

“Qualified Letter of Credit” means any letter of credit, standby bond purchase agreement, or other liquidity facility issued by a financial institution for the account of the City in connection with the issuance of any Parity Bond or Junior Lien Bond, which institution maintains an office, agency or branch in the United States and, as of the time of issuance of such instrument, is rated in one of the two highest rating categories (without regard to gradations within such categories) by at least two nationally recognized rating agencies.

“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.

“Rate Stabilization Account” means the account of that name previously established in the Light Fund pursuant to Ordinance 121637.

“Rating Agency” means any nationally recognized rating agency then maintaining a rating on a Series of the Bonds at the request of the City.

“Record Date” means, unless otherwise defined in the Bond Documents, 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 to the Registered Owner(s) of the affected Bonds.

“Refundable Bonds” means the Refundable Parity Bonds and the Refundable Junior Lien Bonds.

“Refundable Junior Lien Bonds” means any outstanding Junior Lien Bonds that are eligible to be refunded pursuant to the Omnibus Refunding Ordinance.

“Refundable Parity Bonds” means any outstanding Parity Bonds that are eligible to be refunded pursuant to the Omnibus Refunding Ordinance.

“Refunding Junior Lien Bonds” means Future Junior Lien Bonds that satisfy the applicable Junior Lien Additional Bonds Test and are issued pursuant to the Omnibus Refunding Ordinance (or another Future Junior Lien Bond Ordinance) for the purpose of refunding any Refundable Junior Lien Bonds.

“Refunding Parity Bonds” means Future Parity Bonds that satisfy the applicable Parity Conditions and are issued pursuant to the Omnibus Refunding Ordinance (or another Future Parity Bond Ordinance) for the purpose of refunding any Refundable Parity 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 a Series of the Bonds is in Book-Entry Form under a Letter of Representations, the Registered Owner of such Series 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, to secure the payment of Parity Bonds.

“Reserve Fund Requirement” means, for any Series of Bonds designated as Parity Bonds, the Reserve Fund Requirement established in the Bond Sale Terms for that Series and any other Series issued as part of a single “issue” of Parity Bonds, consistent with Section 15. For any Series of Future Parity Bonds, the Reserve Fund Requirement means the requirement specified for that Series in the Bond Sale Terms associated with that issue. The aggregate Reserve Fund Requirement for all Parity Bonds shall be the sum of the Reserve Fund Requirements for each Series of Parity Bonds. For purposes of this definition, “issue” means all Series of Parity Bonds issued and sold pursuant to a common set of Bond Sale Terms. For the purposes of calculating the Reserve Fund Requirement only, 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 with respect to which the federal government is otherwise scheduled to provide direct payments).

“**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.

“**Second Parity Covenant Date**” means the earlier of (a) the date on which the City has obtained consents of the requisite percentage (as set forth in Section 23(b)) of Registered Owners of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the following Outstanding Parity Bonds have been redeemed or defeased: Municipal Light and Power Revenue Bonds, 2010A (Taxable Build America Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2010B; Municipal Light and Power Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2011A; Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2012A; Municipal Light and Power Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2013; Municipal Light and Power Improvement and Refunding Revenue Bonds, 2014; Municipal Light and Power Revenue Bonds, 2015A; Municipal Light and Power Revenue Bonds, 2016A (Taxable New Clean Renewable Energy Bonds - Direct Payment); Municipal Light and Power Refunding Revenue Bonds, 2016B; Municipal Light and Power Improvement and Refunding Revenue Bonds, 2016C; and Municipal Light and Power Improvement and Refunding Revenue Bonds, 2017C.

“**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 Bond**” means any Parity Bond or Junior Lien Bond maturing in a specified year, for which no Sinking Fund Requirements are mandated.

“**Series**” means a series of the Bonds issued pursuant to this ordinance.

“**SIFMA Municipal Swap Index**” means the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index, calculated and published by Bloomberg and overseen by SIFMA’s Municipal Swap Index Committee, or a substantially similar recognized market successor index representing a seven-day market index comprised of certain high-grade tax-exempt variable rate demand obligations.

“**Sinking Fund Account**” means (a) with respect to Parity Bonds, any account created in the Parity Bond Fund to amortize the principal or make mandatory redemptions of Parity Bonds that are Term Bonds; and (b) with respect to Junior Lien Bonds, any account created in the Junior Lien Debt Service Fund to amortize the principal or make mandatory redemptions of Junior Lien Bonds that are Term Bonds.

“**Sinking Fund Requirement**” means, for any calendar year, the principal portion (and required redemption premium, if any) of any Term Bond that is required to be purchased, redeemed, paid at maturity, or paid into any Sinking Fund Account for such calendar year, as established in the applicable Bond Documents.

“**State**” means the State of Washington.

“**State Auditor**” means the office of the Auditor of the State or such other department or office of the State authorized and directed by State law to make audits.

“**Tax Credit Subsidy Bond**” means any Taxable Bond that is designated by the City as a tax credit bond pursuant to the Code and as a “qualified bond” under Section 6431 or similar provision of the Code, and with respect to which the City is eligible to claim 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 or Junior Lien Bond, the interest on which is intended, as

of the Issue Date, to be excludable from gross income for federal income tax purposes.

“**Taxable Bond**” means any Parity Bond or Junior Lien Bond, the interest on which is not intended, as of the Issue Date, to be excludable from gross income for federal income tax purposes.

“**Term Bond**” means any Parity Bond or Junior Lien Bond that is issued subject to mandatory redemption in periodic Sinking Fund Requirements prior to its maturity date.

“**Valuation Date**” means, with respect to any Capital Appreciation Bond, the date or dates, determined as set forth in the applicable Bond Documents, on which specific Accreted Values are assigned to that Capital Appreciation Bond.

“**Variable Interest Rate**” means any interest rate that fluctuates during the stated term of a bond (or during a stated period during which the bond is designated as a Variable Interest Rate Bond), whether due to a remarketing, a market index reset, or other mechanism set forth in the applicable Bond Documents. The Bond Documents for any Series of the Bonds bearing interest at a Variable Interest Rate shall set forth: (a) the available method(s) of computing interest (the “interest rate modes”); (b) 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 (or each interest rate mode) shall remain in effect; (c) provisions for conversion from one interest rate mode to another and for setting or resetting the interest rates; and (d) the time or times upon which any change in such Variable Interest Rate (or any conversion of interest rate modes) shall become effective.

“**Variable Interest Rate Bond**” means, for any period of time, any Parity Bond or Junior Lien Bond that bears interest at a Variable Interest Rate during that period. A bond shall not be treated as a Variable Interest Rate Bond if the net economic effect of (a) interest rates on a particular series of Parity Bonds (or Junior Lien Bonds, as applicable), as set forth in the applicable Bond Documents, and (b) either (i) interest rates on another series of Parity Bonds (or Junior Lien Bonds, as applicable) issued at substantially the same time, or (ii) a Payment Agreement related to that particular series, in either case, is to produce obligations that bear interest at a fixed interest rate. Any Parity Bond or Junior Lien Bond with respect to which a Payment Agreement is in

force shall be treated as a Variable Interest Rate Bond if the net economic effect of the Payment Agreement is to produce an obligation that bears interest at a Variable Interest Rate.

Section 2. **Adoption of Plan of Additions.** 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 approximately \$2.0 billion, of which \$225 million (or such larger amount as the City Council may direct) is expected to be financed from proceeds of the Bonds and investment earnings thereon.

Section 3. **Authorization of Bonds; Due Regard Finding.**

(a) **The Bonds.** The City is authorized to issue municipal light and power revenue bonds payable from the sources described in Section 13 and secured as either Parity Bonds or Junior Lien Bonds, as determined by the Director of Finance in accordance with Section 5. The Bonds may be issued in one or more Series in a maximum aggregate principal amount not to exceed the amount stated in Section 5, for the purposes of: (a) paying a part of the cost of carrying out the Plan of Additions; (b) providing for the Reserve Fund Requirement (if any); (c) capitalizing interest on (if necessary) and paying costs of issuance; 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 municipal light and power revenue 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. Any Series of the Bonds designated as Junior Lien Bonds shall bear a designation clearly indicating that such Bonds are Junior Lien Bonds.

(b) **City Council Finding.** The City Council hereby finds that, in creating the Parity Bond Fund, the Reserve Fund, and the Junior Lien Debt Service Fund (collectively, the “Bond Funds”), and in fixing the amounts to be paid into those funds in accordance with this ordinance and the parameters for the Bond Sale Terms set forth in Section 5, the City Council has exercised due regard for the cost of operation and

maintenance of the Light System, and is not setting aside into such Bond Funds a greater amount than in the judgment of the City Council, based on the rates established from time to time consistent with Section 17(a)(ii), 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 Gross Revenues and pledged for the payment of the Bonds. Therefore, the City Council hereby finds that the issuance and sale of the Bonds is in the best interest of the City and is in the public interest.

Section 4. **Manner of Sale of the Bonds.** The Director of Finance may provide for the sale of each Series by competitive sale, negotiated sale, limited offering, or private placement, and may select and enter into agreements with remarketing agents or providers of liquidity with respect to Variable Interest Rate Bonds. The Purchaser of each Series shall be 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 and a date and time for the delivery of each Series; in the case of a competitive sale, to provide an official notice of sale including bid parameters and other bid requirements, and to provide for the use of an electronic bidding mechanism; to provide for and determine matters relating to the forward or delayed delivery of the Bonds, if deemed desirable; and to specify such other matters and take such other action as in his or her determination may be necessary, appropriate, or desirable in order to carry out the sale of each Series. Each Series must be sold on Bond Sale Terms consistent with the parameters set forth in Section 5.

Section 5. **Appointment of Designated Representative; Bond Sale Terms.**

(a) **Designated Representative.** 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.

(b) **Parameters for Bond Sale Terms.** The Director of Finance is authorized to approve, on behalf of the City, Bond Sale Terms for the sale of the Bonds in one or more Series, and in connection with each such sale, to execute a Bond Purchase Contract (or, in the case of a competitive sale, a Pricing Certificate)

confirming the Bond Sale Terms and such related agreements as may be necessary or desirable, consistent with the following parameters:

(i) **Maximum Principal Amount.** This ordinance authorizes the issuance of Bonds in a maximum aggregate principal amount of not exceed \$250 million, plus an additional amount that may be issued if and only if the aggregate principal amount of all Parity Bonds and Junior Lien Bonds that will be outstanding on December 31, 2020 is not more than (A) the amount that had been scheduled, as of December 31, 2019, to be outstanding at the end of calendar year 2020, plus (B) \$250 million.

(ii) **Date or Dates.** Each Bond shall be dated its Issue Date, as determined by the Director of Finance. The initial Issue Date (without restricting any reissuance date with respect to a Series of Variable Interest Rate Bonds) may not be later than December 31, 2022.

(iii) **Denominations.** The Bonds shall be issued in Authorized Denominations.

(iv) **Interest Rate(s).** Each Bond shall bear interest from its Issue Date or from the most recent date to which interest has been paid or duly provided, whichever is later, unless otherwise provided in the applicable Bond Documents. Each Series of the Bonds shall bear interest at one or more fixed interest rates or Variable Interest Rates. The net interest cost for any fixed rate Series may not exceed a rate of 10% per annum. The Bond Documents for any Series may provide for multiple interest rates and interest rate modes, and may provide conditions and mechanisms for the Director of Finance to effect a conversion from one mode to another. Nothing in this ordinance shall be interpreted to prevent the Bond Documents for any Series from including a provision for adjustments to interest rates during the term of the Series upon the occurrence of certain events specified in the applicable Bond Documents.

(v) **Payment Dates.** Interest shall be payable on dates acceptable to the Director of Finance. Principal shall be payable on dates acceptable to the Director of Finance, which shall include payment at the maturity of each Bond; in accordance with any Sinking Fund Requirements applicable to Term Bonds; and otherwise in accordance with any redemption or tender provisions.

(vi) **Final Maturity.** Each Bond shall mature no later than 40 years after its Issue Date.

(vii) **Redemption Prior to Maturity.** The Bond Sale Terms may include redemption and tender provisions, as determined by the Director of Finance in the Director's discretion, consistent with Section 8 and subject to the following:

(A) **Optional Redemption.** The Director of Finance may designate any Bond as subject to optional redemption prior to its maturity. Any Bond that is subject to optional redemption prior to maturity must be callable on at least one or more date(s) occurring not more than 10½ years after the Issue Date, consistent with Section 8(a).

(B) **Mandatory Redemption.** The Director of Finance may designate any Bond as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in principal payment amounts set forth in Sinking Fund Requirements, consistent with Section 8(b).

(C) **Extraordinary Redemption.** The Director of Finance may designate any Bond as subject to extraordinary optional redemption or extraordinary mandatory redemption upon the occurrence of an extraordinary event, as such event or events may be set forth in the applicable Bond Documents, consistent with Section 8(c).

(D) **Tender Options.** The Director of Finance may designate any Variable Interest Rate Bond as subject to tender options, as set forth in the applicable Bond Documents.

(viii) **Price.** The Director of Finance may approve in the Bond Sale Terms an aggregate purchase price for each Series of the Bonds that is, in his or her judgment, the price that produces the most advantageous borrowing cost for the City for that Series, consistent with the parameters set forth herein and in any applicable bid documents.

(ix) **Other Terms and Conditions.**

(A) **Expected Life of Capital Facilities.** As of the Issue Date of each Series, the Director of Finance must find to his or her satisfaction that the average expected life of the capital facilities to

be financed with the proceeds (or allocable share of proceeds) of that Series exceeds the weighted average maturity of such Series (or share thereof allocated to financing those capital facilities).

(B) **Satisfaction of Parity Conditions or Junior Lien Additional Bonds Test.** For each Series of the Bonds, the Director of Finance must designate each Series of the Bonds as a series of either Parity Bonds or Junior Lien Bonds. For a Series to be designated as Parity Bonds, the Director of Finance must find to his or her satisfaction that, as of the Issue Date, the Parity Conditions have been met or satisfied so that such Series is permitted to be issued as Parity Bonds. For a Series to be designated as Junior Lien Bonds, the Director of Finance must find to his or her satisfaction that, as of the Issue Date, the Junior Lien Additional Bonds Test has been met or satisfied so that such Series is permitted to be issued as Junior Lien Bonds.

(C) **Additional Terms, Conditions, and Agreements.** The Bond Sale Terms for any Series may provide for Qualified Insurance, a Qualified Letter of Credit or other liquidity facility, Intermediate Lien Reimbursement Obligation, Junior Lien Reimbursement Obligation, or any other Payment Agreement as the Director of Finance may find necessary or desirable, and may include such additional terms, conditions, and covenants as may be necessary or desirable, including but not limited to: restrictions on investment of Bond proceeds and pledged funds (including any escrow established for the defeasance of any of the Bonds), provisions for the conversion of interest rate modes, provisions for the reimbursement of a credit enhancement provider or Qualified Counterparty, and requirements to give notice to or obtain the consent of a credit enhancement provider or a Qualified Counterparty. The Director of Finance is authorized to execute, on behalf of the City, such additional certificates and agreements as may be necessary or desirable to reflect such terms, conditions, and covenants.

(D) **Parity Bond Reserve Fund Requirement.** The Bond Sale Terms for any Series of Parity Bonds must establish the Reserve Fund Requirement for such Series and must set forth the method for satisfying any such requirement, consistent with Section 15 and the Parity Conditions. The Reserve Fund Requirement for any such Series may not be set at a level that would cause the aggregate Reserve Fund

Requirement to exceed the least of (1) 125% of Average Annual Debt Service on all Parity Bonds outstanding, (2) Maximum Annual Debt Service on all Parity Bonds outstanding, or (3) 10% of the proceeds of the outstanding Parity Bonds.

(E) **Tax Status of the Bonds.** The Director of Finance may designate any Series of the Bonds as Tax-Exempt Bonds, Taxable Bonds, or Tax Credit Subsidy Bonds, consistent with Section 21.

Section 6. **Bond Registrar; Registration and Transfer of Bonds.**

(a) **Registration and Bond Registrar.** The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Fiscal Agent is appointed to act as Bond Registrar for each Series of the Bonds, unless otherwise determined by the Director of Finance.

(b) **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, seniority, interest rate, and maturity. Bonds may

be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to 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 payment or principal redemption date.

(c) **Securities Depository; Book-Entry Form.** Unless otherwise determined by the Director of Finance, the Bonds initially shall be issued in Book-Entry Form and 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 the 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 determination by the Director of Finance to discontinue utilizing the then-current Securities Depository, the Director of Finance may appoint a substitute Securities Depository. If the Securities Depository resigns from its functions as depository and no substitute Securities Depository can be obtained, or if the Director of Finance determines not to utilize a Securities Depository, then the Bonds shall no longer be held in Book-Entry Form and ownership may be transferred only as provided herein.

Nothing herein shall prevent the Bond Sale Terms from providing that a Series of the Bonds shall be issued in certificated form without utilizing a Securities Depository, and that the Bonds of such Series shall be

registered as of their Issue Date in the names of the Owners thereof, in which case ownership may be transferred only as provided herein.

(d) **Lost or Stolen Bonds.** In case any Bond shall be lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new bond or bonds of like amount, date, tenor, and effect to the Registered Owner(s) thereof upon the Registered Owner(s)' paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to the Bond Registrar that such bond or bonds were actually lost, stolen or destroyed and of Registered Ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Section 7. **Payment of Bonds.**

(a) **Payment.** Each Bond shall be payable in lawful money of the United States of America on the dates and in the amounts as provided in the Bond Documents for that Series. Principal of and interest on each Bond designated as a Parity Bond shall be payable solely out of the Parity Bond Fund. Principal of and interest on each Bond designated as a Junior Lien Bond shall be payable solely out of the Junior Lien Debt Service Fund. The Bonds shall not be general obligations of the City. No Bonds of any Series shall be subject to acceleration under any circumstances.

(b) **Bonds Held In Book-Entry Form.** Principal of and interest on each Bond held in Book-Entry Form shall be payable in the manner set forth in the Letter of Representations.

(c) **Bonds Not Held In Book-Entry Form.** Interest on each Bond not held in Book-Entry Form shall be 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, shall not be 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 held in Book-Entry Form shall be payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

Section 8. **Redemption and Purchase of Bonds.**

(a) **Optional Redemption.** All or some of the Bonds of any Series may be subject to redemption prior to their stated maturity dates at the option of the City at the times and on the terms set forth in the applicable Bond Documents.

(b) **Mandatory Redemption.** All or some of the Bonds of any Series may be designated as Term Bonds, subject to mandatory redemption in Sinking Fund Requirements, as set forth in the applicable Bond Documents. If not redeemed or purchased at the City's option prior to maturity, Term Bonds (if any) must be redeemed, at a price equal to one hundred percent of the principal amount to be redeemed, plus accrued interest, on the dates and in the years and Sinking Fund Requirements as set forth in the applicable Bond Documents. If the City optionally redeems or purchases a Term Bond prior to maturity, the principal amount of that Term Bond that is so redeemed or purchased (irrespective of its redemption or purchase price) shall be credited against the remaining Sinking Fund Requirements for that Term Bond in the manner as directed by the Director of Finance. In the absence of direction by the Director of Finance, credit shall be allocated to the remaining Sinking Fund Requirements for that Term Bond on a *pro rata* basis.

(c) **Extraordinary Redemption.** All or some of the Bonds of any Series may be subject to extraordinary optional or extraordinary mandatory redemption prior to maturity upon the occurrence of an extraordinary event at the prices, in the principal amounts, and on the dates, all as set forth in the applicable Bond Documents.

(d) **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 maturity or maturities to be redeemed. If less than all of the principal amount of a maturity of the selected Series is to be redeemed and such Series is held in Book-Entry Form, the portion of such maturity to be redeemed shall be selected for redemption by the Securities Depository in accordance with the Letter of Representations. If the Series is not then held in Book-Entry Form, the portion of such maturity to be redeemed shall be selected by the

Bond Registrar using such method of random selection 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 applicable 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, seniority, maturity, and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(e) **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. **Notice of Redemption; Rescission of Notice.** Unless otherwise set forth in the applicable Bond Documents, the City must 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 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 or extraordinary 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 on or 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.

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 sources pledged to that Bond in this ordinance, interest on that Bond at the same rate provided on that Bond from and after its maturity or

redemption date until that Bond, principal (including redemption 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 (if such Bond is a Parity Bond) or the Junior Lien Debt Service Fund (if such Bond is a Junior Lien Bond) and that Bond has been called for payment by giving notice of that call to the Registered Owner of that Bond. The exercise of remedies of Owners of the Bonds are limited as set forth in Section 24.

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 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 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 and/or Seniority, if applicable], described in [this ordinance].” Junior Lien Bonds shall also bear the words “Junior Lien” in their name in the foregoing certificate of authentication. 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 the officer’s 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 to sign bonds, although he or she did not hold the required office on the Issue Date of that Series of the Bonds.

Section 12. **Construction Account; Deposit of Proceeds.** The principal proceeds of the sale of each Series of the Bonds (other than amounts necessary to pay accrued interest (if any), to pay costs of issuance, and to provide for the Reserve Fund Requirement with respect to a Series of Parity Bonds) shall be deposited into the Construction Account (or such other fund or account as may be directed by the Director of Finance) to be used for the purposes set forth in Section 3. Until needed for such purposes, the City may invest principal proceeds and interest thereon temporarily in any Permitted Investments, and the investment earnings may, as determined by the Director of Finance, be either (a) retained in the Construction Account to be spent for the purposes of that account, or (b) deposited into the Parity Bond Fund or Junior Lien Debt Service Fund, as applicable.

Section 13. **Security for the Bonds; Designation as Parity Bonds or Junior Lien Bonds.** 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.

(a) **Parity Bonds.** Each Series of the Bonds that is designated as Parity Bonds shall be a special limited obligation of the City payable from and secured solely by Gross Revenues available after payment of Operating and Maintenance Expense (“Net Revenue”) and by money in the Parity Bond Fund and the Reserve Fund. Net Revenue is pledged to make the payments into the Parity Bond Fund and the Reserve Fund required by Sections 14 and 15, which pledge shall constitute a lien and charge upon such Net Revenue prior and superior to all other charges whatsoever. Each Series of the Bonds designated as Parity Bonds shall be issued on 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.

(b) **Junior Lien Bonds.** Each Series of the Bonds that is designated as Junior Lien Bonds shall be a special limited obligation of the City payable from and secured solely by Net Revenue and by money in the Junior Lien Debt Service Fund. Net Revenue is pledged to make the payments into the Junior Lien Debt

Service Fund required by Sections 14 and 16, which pledge shall constitute a lien and charge upon such Net Revenue (i) subordinate only to the payments to be made (A) into the Parity Bond Fund in respect of the principal of and interest on the Outstanding Parity Bonds and Parity Payment Agreements, (B) in respect of reimbursement obligations arising under Alternate Reserve Securities, and (C) in respect of obligations arising under Intermediate Lien Reimbursement Obligations, and (ii) prior and superior to all other charges whatsoever. Each Series of the Bonds designated as Junior Lien Bonds shall be issued on parity with the lien and charge of any then outstanding Junior Lien Bonds and all Future Junior Lien Bonds, without regard to date of issuance or authorization and without preference or priority of right or lien. Nothing in this ordinance prevents the City from issuing revenue bonds or other obligations which are a charge or lien upon Net Revenue subordinate to the payments required to be made into the Junior Lien Debt Service Fund and the Reserve Fund, and any subfund, account, or subaccount within the foregoing funds.

Section 14. **Priority Expenditure of Gross Revenues; Flow of Funds.** Gross Revenues shall be deposited as received in the Light Fund and used for the following purposes only, in the following order of priority:

- (a) To pay the Operating and Maintenance Expense of the Light System;
- (b) To make, when due, all payments into the Parity Bond Fund required to be made in order to pay the interest on and principal of all Parity Bonds, including all Parity Bond Sinking Fund Requirements, all net payments under Parity Payment Agreements, ***and, from and after the Parity Covenant Date, to make all payments required to be made (if any) in respect of Parity Reimbursement Obligations;***
- (c) To make all payments required to be made (if any) into the Reserve Fund necessary to satisfy the Reserve Fund Requirement, to make all payments (if any) required to be made under Section 15(c)(i)(B) into a special account within the Light Fund for the replacement of an Alternate Reserve Security as to which the City has received a notice of cancellation, ***and, from and after the Parity Covenant Date, to pay any reimbursement obligations under any Alternate Reserve Security;***

(d) To make all payments required to be made (if any) in respect of Intermediate Lien Reimbursement Obligations;

(e) To make all payments into the Junior Lien Debt Service Fund required to be made in order to pay the interest on and principal of all Junior Lien Bonds, including all net payments under Junior Lien Payment Agreements and all Junior Lien Reimbursement Obligations, when due;

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

(g) Without priority, for any of the following purposes: to retire by redemption or purchase any outstanding revenue bonds or revenue obligations of the Light System; to make necessary additions, betterments, repairs, extensions, and replacements of the Light System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenues; to make deposits to the Rate Stabilization Account; or for any other lawful Light System purpose.

Section 15. **Parity Bond Fund; Reserve Fund.** The special funds of the City known as the Parity Bond Fund and the Reserve Fund have been previously created and shall be maintained as special funds for the sole purpose of paying the principal (including redemption premium, if any) of and interest on the Parity Bonds as the same shall become due. The Director of Finance may create subfunds, accounts, or subaccounts in the Parity Bond Fund and the Reserve Fund to pay or secure the payment of Parity Bonds as long as the maintenance of such subfunds, accounts, or subaccounts does not conflict with the rights of the owners of the Parity Bonds. Principal (including redemption premium, if any) of and interest on the Parity Bonds shall be payable solely out of the Parity Bond Fund.

(a) **Required Payments Into the Parity Bond Fund and Reserve Fund.** So long as any Parity Bonds (including any Parity Payment Agreements) are outstanding, the City shall set aside and pay out of Net

Revenue certain fixed amounts, without regard to any fixed proportion, namely:

(i) Into the Parity Bond Fund, on or prior to the respective dates on which such payments shall become due and payable, an amount sufficient, together with other money on deposit therein, to pay the interest (including net payments due on Parity Payment Agreements) on and principal (including any Sinking Fund Requirements) of the Parity Bonds as the same shall become due; and

(ii) Into the Reserve Fund, an amount necessary to provide for the Reserve Fund Requirement within the time and manner required by this ordinance and the Bond Sale Terms.

To meet the required payments to be made into the Parity Bond Fund and the Reserve Fund, the Director of Finance may transfer any money from any funds or accounts of the City legally available therefor, except bond redemption funds, refunding escrow funds, or defeasance funds. The Director of Finance may provide for the purchase, redemption or defeasance of any Parity Bonds by the use of money on deposit in any subfund, account, or subaccount in the Parity Bond Fund or Reserve Fund, so long as the money remaining in those subfunds, accounts, or subaccounts is sufficient to satisfy the required deposits with respect to the remaining Parity Bonds.

(b) **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. Each Series of the Bonds designated as Parity Bonds shall be payable (including principal, Sinking Fund Requirements, redemption premium (if any), and interest) out of the Parity Bond Fund. 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.

(c) **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 (including all net payments due under any Parity Payment Agreements, if any). 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.** The Bond Sale Terms for each Series of the Bonds shall establish the amount (if any) to be added to the aggregate Reserve Fund Requirement for such Series, and the method for providing for such incremental addition to the Reserve Fund deposit, subject to the following:

(A) In connection with the issuance of Future Parity Bonds, the City shall provide the amounts required for deposit into the Reserve Fund (1) at one time on the Issue Date, or (2) in periodic deposits of Net Revenue (or any other legally available source of funds), 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 the Parity Bonds scheduled to be outstanding at the end of that five-year period.

(B) The City may 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 needed to satisfy the Reserve Fund Requirement. In the event of receipt of any notice of cancellation of an Alternate Reserve Security, the City shall (and, in preparation for the expiration of any such Alternate Reserve Security in accordance with its terms, the City may) either: (1) obtain a substitute Alternate Reserve Security in the amount necessary to satisfy the Reserve Fund Requirement on the date any such cancellation (or expiration) becomes effective, or (2) create a special account in the Light Fund and deposit therein amounts necessary to replace the Alternate Reserve Security upon its expiration or cancellation. In the case of receipt of a notice of cancellation, such periodic deposits are to be made on or before the 25th day of each of the 60 calendar months succeeding receipt of such notice, in an amount equal to 1/60th of the amount necessary (together with other money and investments then

on deposit in the Reserve Fund) to satisfy the expected Reserve Fund Requirement on the date such cancellation shall become effective, taking into account scheduled redemptions of Parity Bonds and disregarding any incremental additional amounts that may become necessary due to the issuance of Future Parity Bonds subsequent to the date of such notice of cancellation. Such amounts shall be transferred from Net Revenue available in the Light Fund after making provision for payment of Operating and Maintenance Expense and for the required payments into the Parity Bond Fund, in accordance with Section 14. Amounts on deposit in such special account are preliminarily earmarked for the replacement of such Alternate Reserve Security and 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 or expiration of the Alternate Reserve Security to make up the deficiency caused thereby. In the event that the Reserve Fund is completely depleted and all Alternate Reserve Securities have been fully drawn, the amounts in that special account may be withdrawn and treated as Gross Revenues available to be used in accordance with the flow of funds set forth in Section 14. If and when a substitute Alternate Reserve Security having a sufficient value or policy limit is obtained, amounts held in that special account may be transferred back to the Light Fund and treated as Gross Revenues available to be used in accordance with the flow of funds set forth in Section 14.

(C) If the amount on deposit 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 Net Revenue available in accordance with the priority of payment in Section 14, 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 to Refund Parity Bonds.** If any Parity Bonds are to be 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 to Pay Debt Service.** If the money in the Parity Bond Fund is insufficient to meet maturing installments of either interest on or principal of and interest on the Parity Bonds (including net 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 Net Revenue 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 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 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. If multiple Alternate Reserve Securities are on deposit in the Reserve Fund, draws on such Alternate Reserve Securities shall be made on a *pro rata* basis.

Section 16. **Junior Lien Debt Service Fund.**

(a) **Use of Fund.** The Junior Lien Debt Service Fund has previously been created for the sole purpose of paying the principal (including redemption premium, if any) of and interest on the Junior Lien Bonds as the same shall become due. The Junior Lien Debt Service Fund shall consist of a Principal and Interest Account and such additional subfunds, accounts, or subaccounts as the Director of Finance may find it necessary or convenient to create in order to pay or secure the payment of Junior Lien Bonds, as long as the maintenance of such subfunds, accounts, or subaccounts does not conflict with the rights of the owners of the Junior Lien Bonds or the Parity Bonds.

Each Series of the Bonds designated as Junior Lien Bonds shall be payable (including principal, Sinking Fund Requirements, redemption premium (if any), and interest) out of the Junior Lien Debt Service Fund. Money in the Junior Lien Debt Service 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 Junior Lien Debt Service Fund shall be deposited in and used for the purposes of that fund.

(b) **Required Payments Into the Junior Lien Debt Service Fund.** So long as any Junior Lien Bonds (including any Junior Lien Payment Agreements) are outstanding, the City shall set aside and pay out of Net Revenue certain fixed amounts, without regard to any fixed proportion, namely, into the Principal and Interest Account of the Junior Lien Debt Service Fund, on or prior to the respective dates on which such payments shall become due and payable, an amount sufficient, together with other money on deposit therein, to pay the interest on and the principal of the Junior Lien Bonds, including net payments due on Junior Lien Payment Agreements and all payments under Junior Lien Reimbursement Obligations, as the same shall become due. To meet the required payments to be made into the Junior Lien Debt Service Fund, the Director of Finance may transfer any money from any funds or accounts of the City legally available therefor, except the Parity Bond Fund, the Reserve Fund, other bond redemption funds, refunding escrow funds, or defeasance

funds. The Director of Finance may provide for the purchase, redemption or defeasance of any Junior Lien Bonds by the use of money on deposit in any subfund, account, or subaccount in the Junior Lien Debt Service Fund, so long as the money remaining in those subfunds, accounts, or subaccounts is sufficient to satisfy the required deposits with respect to the remaining Junior Lien Bonds.

Section 17. **Bond Covenants.**

(a) **Parity Bond Covenants.** The City covenants with the Owner of each Bond that is designated as a Parity Bond, for so long as such Bond remains outstanding, as follows:

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

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

(B) 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: (1) there has been filed with the Director of Finance a certificate of a 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 17(a)(ii), in which the Professional Utility Consultant may make those assumptions permitted in delivering a Parity Certificate under Section 18(a); or (2) 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: (I) 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 Gross Revenues for the twelve preceding months attributable to the part of the Light System being sold or disposed of bears to the total Gross Revenues for such period; or (II) 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 being sold or disposed of bears to the book value of the entire Light System immediately prior to such sale or disposition.

(C) Notwithstanding the foregoing, 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 for, material to, or useful in the operation of the Light System.

(D) 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 purchase, defease, or redeem Parity Bonds prior to maturity.

(ii) **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 pay all Operating and Maintenance Expense, to pay into the Parity Bond Fund the amounts that are required by this ordinance 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 to pay all bonds, warrants, and indebtedness for which any revenues of the Light System shall have been pledged.

(iii) **Operation and Maintenance of the Light System.** The City will operate the properties of the Light System in an efficient manner and at a reasonable cost; 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.

(iv) **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 prescribed by the State Auditor's Office and the Federal Energy Regulatory Commission (if any); and will prepare, on or before 120

days after the end of each calendar year, *and, upon the Second Parity Covenant Date, on or before 180 days after the end of 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.

(b) **Junior Lien Bond Covenants.** The City covenants with the Owner of each Bond that is designated as a Junior Lien Bond, for so long as such Bond remains outstanding, as follows:

(i) **Sale or Disposition of the Light System.** The City may dispose of all or substantially all of the Light System only if the City simultaneously causes all of the Junior Lien Bonds to be, or be deemed to be, no longer outstanding. 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 except upon compliance with the covenant set forth in Section 17(a)(i)(B), above. Notwithstanding the foregoing, 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.

(ii) **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 pay all Operating and Maintenance Expense; to pay into the Parity Bond Fund the amounts that are required by this ordinance 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; to pay into the Junior Lien Debt Service Fund the amounts that are required by this ordinance to be paid into such fund, in accordance with the priority of payment set forth in Section 14, until the Junior Lien Bonds (including Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations) shall have been paid in full; and to pay all other bonds, warrants, and indebtedness

for which any revenues of the Light System shall have been pledged.

(iii) **Operation and Maintenance of the Light System.** The City will operate the properties of the Light System in an efficient manner and at a reasonable cost; 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.

(iv) **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 prescribed by the State Auditor's Office and the Federal Energy Regulatory Commission (if any); and will prepare, on or before 180 days after the end of 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 Junior Lien Bonds. A copy of such financial statements shall be sent to any owner of Junior Lien Bonds upon request in writing setting forth the name and address to which such financial statements may be sent.

Section 18. **Additional Bonds.**

(a) **Future Parity Bonds.** The City reserves the right to issue Future Parity Bonds (which term includes Parity Payment Agreements) for any lawful purpose of the City's Light System if the Parity Conditions are met and complied with as of the date of issuance of such Future Parity Bonds, or as of the effective date of the Parity Payment Agreement, as appropriate.

If the Parity Conditions are met and complied with, then payments into the Parity Bond Fund with respect to such Future Parity Bonds shall rank equally with the payments out of Net Revenue required to be

made into the Parity Bond Fund by this ordinance. Nothing set forth herein shall prevent the City from (i) issuing revenue bonds or other obligations that are a charge upon Net Revenue junior and inferior to the payments required to be made therefrom into the Parity Bond Fund for the payment of the Parity Bonds, provided that such subordinate bonds may not be subject to acceleration under any circumstances; or (ii) issuing Refunding Parity Bonds to refund maturing Parity Bonds of the City for the payment of which money is not otherwise available.

(i) **Parity Conditions.** The Parity Conditions are as follows:

(A) No deficiency may then exist in the Parity Bond Fund or in any of the accounts therein; and

(B) Provision must be made to satisfy the Reserve Fund Requirement for all Parity Bonds then outstanding plus any additional amount required in connection with the issuance and sale of the proposed Future Parity Bonds (if any) in accordance with Section 15(c); and

(C) There must be on file with the City a Parity Certificate as described in subsection (a)(ii), below. If the proposed Future Parity Bonds (or any portion thereof) are to be issued for the purpose of refunding outstanding Parity Bonds and the Annual Debt Service on the refunding portion of the proposed Future Parity Bonds is not more than \$5,000 greater than the Annual Debt Service on the Parity Bonds to be refunded thereby, then no Parity Certificate shall be required as to that portion issued for refunding purposes. If the requirements of the preceding sentence are not satisfied, Refunding Parity Bonds may alternatively be issued upon delivery of a Parity Certificate.

(ii) **Parity Certificate.** A Parity Certificate required by subsection (a)(i) may be provided by either the Director of Finance or by a Professional Utility Consultant, as follows:

(A) A Parity Certificate may be prepared by the Director of Finance, demonstrating that the amount of Adjusted Net Revenue in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed series of Future 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 Future Parity Bonds. For the purposes of a Parity Certificate delivered under this subsection (A), the Director of Finance shall reflect in his or her certificate any adjustment in the rates, fees, and charges for the services of the Light System that will become effective at any time prior to or within six months after the delivery of the proposed Future Parity Bonds, by including in the amount of Adjusted Net Revenue the amount that he or she estimates would have been collected in the Base Period if such new rates, fees, and charges had been in effect for the entire Base Period.

(B) A Parity Certificate may be prepared by a Professional Utility Consultant, demonstrating that the amount of Adjusted Net Revenue (which may be further adjusted as provided in paragraphs (1) through (5) below) in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed Series of Future Parity Bonds (the “Base Period”) is not less than 125% of the amount of Maximum Annual Debt Service on all Parity Bonds and the proposed series of Future Parity Bonds in any future calendar year on all Parity Bonds then outstanding and the proposed series of Parity Bonds. For the purposes of a certificate delivered under this subsection (a)(ii), Adjusted Net Revenue may be further adjusted by the Professional Utility Consultant using any or all of the following methods reflecting the conditions and requirements as may be appropriate to the circumstances:

(1) If the purpose for which the proposed Future Parity Bonds are being issued is to acquire operating electric utility properties having an earnings record, the Professional Utility Consultant shall estimate the effect on Adjusted Net Revenue for the Base Period of the acquisition of such electric utility properties and the integration thereof into the Light System, and shall further adjust Adjusted 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.

(2) If any changes to rates, fees, or charges imposed by the City on sales of

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

(3) If the purpose for which the proposed Future 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 further adjust Adjusted Net Revenue for the Base Period by (I) deducting the amount of the estimated increase in Operating and Maintenance Expense resulting from the acquisition or construction of such facilities in their first year of full operation, (II) 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 (III) 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 excess of the power and energy to be sold pursuant to paragraph (2), above, been used in the Light System during the Base Period.

(4) If any customers were added to the Light System during the Base Period or thereafter (and prior to the date of the Professional Utility Consultant's certificate), Adjusted Net Revenue may be further adjusted as if such added customers were customers of the Light System during the entire Base Period.

(5) If extensions of or additions to the Light System (not described in paragraph (3) above) are in the process of construction on the date of the Professional Utility Consultant's

certificate, or if the proceeds of the proposed Future Parity Bonds are to be used to acquire or construct extensions of or additions to the Light System (not described in paragraph (3) above), Adjusted Net Revenue for the Base Period may be further 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 Expense resulting from such additions and extensions.

In rendering any Parity Certificate under this subsection (a)(ii)(B), the Professional Utility Consultant may rely upon the following documents, which shall be attached to the Parity Certificate: 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; financial statements certified by the Office of the State Auditor of the State (or any successor thereto); or financial statements certified by a certified public accountant for as much of such period as any examination by such accountant 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 statements certified by the Director of Finance.

(b) **Future Junior Lien Bonds.** The City reserves the right to issue Future Junior Lien Bonds (which term includes Junior Lien Payment Agreements and Junior Lien Reimbursement Obligations) for any lawful purpose of the City's Light System if the Junior Lien Additional Bonds Test is met and complied with as of the date of issuance of such Future Junior Lien Bonds, or as of the effective date of the Junior Lien Payment Agreement or Junior Lien Reimbursement Obligation, as appropriate.

If the Junior Lien Additional Bonds Test is met and complied with, then payments into the Junior Lien Debt Service Fund with respect to such Future Junior Lien Bonds shall rank equally with the payments out of Net Revenue required to be made into the Junior Lien Debt Service Fund by this ordinance. Nothing set forth herein shall prevent the City from (i) issuing revenue bonds or other obligations that are a charge upon Net Revenue junior and inferior to the payments required to be made therefrom into the Junior Lien Debt Service Fund for the payment of the Junior Lien Bonds, provided that such subordinate bonds may not be subject to

acceleration under any circumstances; or (ii) issuing Refunding Junior Lien Bonds for the purpose of refunding outstanding Junior Lien Bonds to fund or refund maturing Junior Lien Bonds of the City for the payment of which money is not otherwise available.

(i) **Junior Lien Additional Bonds Test.** The Junior Lien Additional Bonds Test is as follows:

(A) No deficiency may then exist in the Junior Lien Debt Service Fund or in any of the accounts therein; and

(B) No default may have occurred that is then continuing with respect to any then outstanding Parity Bonds or Junior Lien Bonds; and

(C) There must be on file with the City a Junior Lien Coverage Certificate as described in subsection (b)(ii), below. If the proposed Future Junior Lien Bonds (or any portion thereof) are to be issued for the purpose of refunding outstanding Junior Lien Bonds and the Annual Debt Service on the refunding portion of the proposed Future Junior Lien Bonds is not more than \$5,000 greater than the Annual Debt Service on the Junior Lien Bonds to be refunded thereby, then no Junior Lien Coverage Certificate shall be required as to that portion issued for refunding purposes. If the requirements of the preceding sentence are not satisfied, Refunding Junior Lien Bonds may alternatively be issued upon delivery of a Junior Lien Coverage Certificate.

(ii) **Junior Lien Coverage Certificate.** A Junior Lien Coverage Certificate required by subsection (b)(i) may be provided by either the Director of Finance or by a Professional Utility Consultant, as follows:

(A) A Junior Lien Coverage Certificate may be prepared by the Director of Finance, demonstrating that the amount of Adjusted Net Revenue in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed Series of Future Junior Lien Bonds (the “Base Period”) was not less than 115% of Maximum Annual Debt Service in any future calendar year on all Parity Bonds,

Intermediate Lien Reimbursement Obligations (if any), and Junior Lien Bonds then outstanding plus the proposed Series of Future Junior Lien Bonds. For the purposes of a Junior Lien Coverage Certificate delivered under this subsection (A), the Director of Finance shall reflect in his or her certificate any adjustment in the rates, fees, and charges for the services of the Light System that will become effective at any time prior to or within six months after the delivery of the proposed Future Junior Lien Bonds, by including in the amount of Adjusted Net Revenue the amount that he or she estimates would have been collected in the Base Period if such new rates, fees, and charges had been in effect for the entire Base Period.

(B) A Junior Lien Coverage Certificate may be prepared by a Professional Utility Consultant, demonstrating that the amount of Adjusted Net Revenue (which may be further adjusted as provided in subsection (a)(ii)(B)(1) through (5), above) in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed Series of Future Junior Lien Bonds (the “Base Period”) not less than 115% of Maximum Annual Debt Service in any future calendar year on all Parity Bonds and Junior Lien Bonds then outstanding plus the proposed Series of Future Junior Lien Bonds.

Section 19. **Rate Stabilization Account.** The City may at any time deposit in the Rate Stabilization Account Net 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 Adjusted 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 Adjusted Net Revenue.

Section 20. **Refunding or Defeasance of Bonds.**

(a) **Bonds Designated as Refundable Bonds.** Each Series of the Bonds is hereby designated as a Series of “Refundable Bonds” for purposes of the Omnibus Refunding Ordinance.

(b) **Refunding; Defeasance.** The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source (i) to pay when due the principal (including redemption

premium, if any) of and interest on any Bond, or any portion thereof, included in a refunding or defeasance plan (the “Defeased Bonds”); (ii) to redeem and retire, release, refund, or defease the Defeased Bonds; and (iii) 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 investment thereof) to redeem and retire, release, refund, or defease the Defeased Bonds in accordance with their terms is 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 Net Revenue and the funds and accounts pledged to the payment of such Defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such Owners thereafter shall have the right to receive payment of the principal or redemption price of and interest on the Defeased Bonds from the Trust Account. After establishing and fully funding such a Trust Account, the Defeased Bonds shall be deemed no longer outstanding and the Director of Finance may then apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purpose.

(c) **Notice of Defeasance or Refunding.** Unless otherwise specified in the applicable Bond Documents, 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.

(d) **Annual Debt Service Calculation Adjustments for Defeased Bonds.** If the refunding or defeasance plan provides (i) that the Defeased Bonds (or the refunding bonds issued to redeem those Defeased Bonds) are to be secured by money and/or Government Obligations pending the redemption of the Defeased Bonds, and (ii) that certain money and/or Government Obligations are pledged irrevocably for the redemption of the Defeased Bonds, then only the debt service on such Bonds as are not Defeased Bonds (and any refunding bonds, the payment of which is not so secured by the refunding plan) shall be included in the calculation of Annual Debt Service.

Section 21. **Federal Tax Matters.** The Bond Documents may include such additional terms and covenants relating to federal tax matters as the Director of Finance deems necessary or appropriate, including the following:

(a) **Tax-Exempt Bonds.** For each Series of the Bonds issued as Tax-Exempt Bonds, the City covenants that it will take all actions, consistent with the terms of such Series as set forth in this ordinance and the applicable Bond Documents, that are reasonably within its power and necessary to prevent interest on that Series from being included in gross income for federal income tax purposes. The City further covenants that it will neither take any action nor make or permit any use of gross proceeds of that Series (or other funds of the City treated as gross proceeds of that Series) at any time during the term of such Series that will cause interest on such Series to be included in gross income for federal income tax purposes. The City also covenants that, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to any Series issued as Tax-Exempt Bonds, it will take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with that Series (including the calculation and payment of any penalties that the City may elect 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) **Taxable Bonds; Tax Credit Subsidy Bonds.** For each Series of the Bonds issued as Taxable Bonds or as Tax Credit Subsidy Bonds, the Director of Finance is authorized to make provision in the Bonds and other Bond Documents, to execute additional written agreements, and to make additional covenants on behalf of the City, all as he or she may deem necessary or appropriate in order to obtain, maintain, and administer such tax status. In the case of Tax Credit Subsidy Bonds, such additional covenants and agreement may include (without limiting the generality of the foregoing) those necessary in order for the City (i) to receive from the United States Treasury the applicable Tax Credit Subsidy Payments in respect of such Tax Credit Subsidy Bonds, and (ii) to ensure that such Series otherwise becomes and remains eligible for tax benefits

under the Code.

Section 22. **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 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 subsection.

(b) **Final Official Statement.** The City approves the preparation of a final official statement for each sale of one or more Series to be sold to the public in the form of the preliminary official statement, with such additions, 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 Bonds, the Director of Finance is authorized to execute a written Continuing Disclosure Agreement with respect to that Series, in substantially the form attached as Exhibit B.

Section 23. **Supplemental or Amendatory Bond Documents.** This ordinance and the other applicable Bond Documents for any Series of the Bonds may not be supplemented or amended in any respect subsequent to the Issue Date of such Series, except in accordance with and subject to the provisions of this section.

(a) **Amendments Without Bond Owners' Consent.** From time to time and at any time, without the

consent of or notice to the owners of any Parity Bonds or Junior Lien Bonds, the City may supplement or amend the Bond Documents applicable to any Series of the Bonds for any of the purposes set forth in this subsection (a). Any such supplement or amendment may be passed, adopted, or otherwise approved in writing by the City, without requiring the consent of the registered owners of any Parity Bonds or Junior Lien Bonds, but may become effective only upon receipt by the City of an opinion of Bond Counsel to the effect that such supplement or amendment is permitted by the terms of this ordinance. The City shall deliver a copy of any such supplement or amendment to each Rating Agency prior to its passage, adoption, or approval (as applicable) by the City. The types of supplements and amendments permitted under this subsection (a) are as follows:

(i) To add to any Parity Bond Documents (or to any Junior Lien Bond Documents, as applicable) additional covenants and agreements that do not adversely affect the interests of the owners of any Parity Bonds (or, as to Junior Lien Bond Documents, the interests of the owners of any Junior Lien Bonds) then outstanding, or to surrender any right or power reserved to or conferred upon the City in any Bond Documents.

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

(iii) To make such changes as may be necessary to permit the Bonds to be held in registered certificate form or in Book-Entry Form, as the case may be, and to make similar amendments or modifications of a technical nature.

(b) **Amendments Permitted Upon Bond Owners' Consent.**

(i) **Parity Bond Documents.** With the consent of the registered owners representing not less than 60% in aggregate principal amount of the Parity Bonds then outstanding, the City may pass, adopt, or otherwise provide its written approval of any supplement or amendment to add to, change, or eliminate any provision of the Bond Documents applicable to a Series of the Bonds designated as Parity Bonds in any manner

other than a supplement or amendment effecting a change described in subsection (c)(i).

(ii) **Junior Lien Bond Documents.** With the consent of the registered owners representing not less than 60% in aggregate principal amount of the Junior Lien Bonds then outstanding, the City may pass, adopt, or otherwise approve in writing any supplement or amendment to add to, change, or eliminate any provision of the Bond Documents applicable to a Series of the Bonds designated as Junior Lien Bonds in any manner other than a supplement or amendment effecting a change described in subsection (c)(ii).

(c) **Amendments Prohibited Except Upon Unanimous Consent.**

(i) **Amendments to Parity Bond Documents.** Nothing contained in this section shall permit or be construed as permitting an amendment or supplement that would:

(A) Except upon consent from the registered owners of or on behalf of all Parity Bonds so affected, extend the fixed maturity of any Parity Bond, reduce the rate of interest on any Parity Bond (other than a change in interest rate permitted under the applicable Parity Bond Documents then in effect), 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; or

(B) Except upon consent from the registered owners of or on behalf of all of the Parity Bonds then outstanding, reduce the percentage of ownership required under subsection (b)(i), above, to approve any supplement or amendment.

(ii) **Amendments to Junior Lien Bond Documents.** Nothing contained in this section shall permit or be construed as permitting an amendment or supplement that would:

(A) Except upon consent from the registered owners of or on behalf of all Junior Lien Bonds so affected, extend the fixed maturity of any Junior Lien Bond, reduce the rate of interest on any Junior Lien Bond (other than a change in interest rate permitted under the applicable Junior Lien Bond Documents then in effect), extend the times of payment of interest from their respective due dates, reduce the principal amount of any Junior Lien Bond, or reduce any redemption premium; or

(B) Except upon consent from the registered owners of or on behalf of all of the Junior Lien Bonds then outstanding, reduce the percentage of ownership required under subsection (b)(ii), above, to approve any supplement or amendment.

(d) **Notice and Consents.** If at any time the City passes, adopts, or otherwise approves in writing a supplement or amendment for any of the purposes requiring consent under subsection (b) or (c) of this section, it shall provide a notice to each registered owner and to each Rating Agency briefly summarizing the nature of the proposed supplement or amendment and stating that a copy of such supplement or amendment is on file at the office of the City Clerk. It shall not be necessary to obtain consent to or approval of the particular form of any proposed supplement or amendment, but it shall be sufficient if the consent shall approve the substance thereof. For purposes of determining whether consents representing the requisite percentage of principal amount of Parity Bonds or Junior Lien Bonds have been obtained, the Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount.

(e) **Effect of Amendment or Supplement.** Upon the effective date of any amendment or supplement to any Bond Documents, such Bond Documents shall be deemed to be amended and modified in accordance with such amendment or supplement. Thereafter, the respective rights, duties, and obligations of the City under the applicable Bond Documents shall be determined, exercised, and enforced subject in all respects to such supplement or amendments, and all the terms and conditions of any such supplement or amendment shall be deemed to be a part of the terms and conditions of those Bond Documents for any and all purposes. The effective dates of such amendments and supplements shall be as follows:

(i) An amendment and supplement permitted under subsection (a) shall become effective immediately upon (A) the passage, adoption, or other approval of such amendment or supplement (or upon the effective date of such document as stated therein, if any), and (B) the delivery of the required opinion of Bond Counsel stating that such amendment or supplement is permitted under this ordinance.

(ii) A supplement or amendment permitted under subsection (b) or (c) shall become effective

on the date on which the City has received the written consents of the requisite percentage of registered owners. If the requisite percentage of registered owners of Parity Bonds or Junior Lien Bonds, as applicable, have given their consent to any such amendment or supplement, no owner of any Bond shall have any right (i) to object to the passage, adoption, or approval of such supplement or amendment, (ii) to object to any of the terms and provisions contained therein or the operation thereof, (iii) in any manner to question the propriety of the passage, adoption, or approval thereof, (iv) to enjoin or restrain the City, or any authorized official thereof, from passing, adopting, or otherwise approving the same, or (v) to enjoin or restrain the City, any authorized official thereof, or the Bond Registrar from taking any action pursuant to the provisions thereof.

(f) **Notation on Bonds.** Any Bonds executed and delivered after the effective date of any amendment or supplement that is passed, adopted, or otherwise approved in writing pursuant to this section may include a notation as to any matter provided for in such amendment or supplement. The City may, in its discretion, prepare and deliver replacement bonds, modified to reflect any such amendment or supplement, to the registered owner(s) thereof upon surrender of the original bonds for cancellation.

Section 24. **Defaults and Remedies.**

(a) **Parity Bond Events of Default.** Each of the following shall constitute an Event of Default with respect to the Bonds designated as Parity Bonds, except as set forth in subsection (c) of this section:

(i) If a default is made in the payment of the principal (including Sinking Fund Requirements and any redemption premium thereon, if any) of or interest on any Parity Bond when the same shall become due and payable; or

(ii) If the City defaults in the observance and performance of any other of the Parity Bond covenants, conditions, or agreements on the part of the City set forth in this ordinance or the applicable Parity Bond Documents (except as otherwise provided herein or in such Parity Bond Documents) and such default or defaults shall have continued for a period of six months (the “cure period”) after the City shall have received from the registered owners of not less than 25% in principal amount of the Parity Bonds then outstanding (or

from a Bond Owners' Trustee duly appointed as set forth in subsection (e), below) a written notice specifying and demanding the cure of such default. However, if such default is one which cannot be completely remedied within the cure period, it shall not be an Event of Default with respect to the Parity Bonds, so long as the City has taken active steps within the cure period to remedy the default and is diligently pursuing such remedy.

(b) **Junior Lien Bond Events of Default.** Each of the following shall constitute an Event of Default with respect to the Bonds designated as Junior Lien Bonds, except as set forth in subsection (c) of this section:

(i) If a default is made in the payment of the principal (including Sinking Fund Requirements and any redemption premium thereon, if any) of or interest on any Junior Lien Bond when the same shall become due and payable; or

(ii) If the City defaults in the observance and performance of any other of the Junior Lien Bond covenants, conditions, or agreements on the part of the City set forth in this ordinance or the applicable Junior Lien Bond Documents (except as otherwise provided herein or in such Junior Lien Bond Documents) and such default or defaults shall have continued for a period of six months (the "cure period") after the City shall have received from the registered owners of not less than 25% in principal amount of the Junior Lien Bonds then outstanding (or from a Bond Owners' Trustee duly appointed as set forth in subsection (e), below) a written notice specifying and demanding the cure of such default. However, if such default is one which cannot be completely remedied within the cure period, it shall not be an Event of Default with respect to the Bonds as long as the City has taken active steps within the cure period to remedy the default and is diligently pursuing such remedy.

(c) **Exceptions.** Notwithstanding anything in this section to the contrary, the failure of the City or any obligated person to comply with a Continuing Disclosure Agreement shall not constitute an Event of Default, and the sole remedy of any holder of any Parity Bond or Junior Lien Bond, as applicable, shall be to seek an order of specific performance from an appropriate court to compel the City to comply with the Continuing Disclosure Agreement. For purposes of determining whether an Event of Default has occurred and

is continuing with respect to the rate covenant set forth in Section 17(a)(ii) or (b)(ii), if such covenant is met for any fiscal year, it shall be deemed to have been met for all prior fiscal years.

(d) **Remedies; No Acceleration.** In the case of a Parity Bond Event of Default, an owner of a Parity Bond shall have the remedies set forth in Section 10 and in the applicable Parity Bond Documents. *Upon the Second Parity Covenant Date, the rights and remedies of the owners from time to time of Parity Bonds shall be limited by subsection (e), below.* In the case of a Junior Lien Bond Event of Default, the owner of a Junior Lien Bond shall have the remedies set forth in Section 10 and in the applicable Junior Lien Bond Documents, as limited by subsection (e), below. Nothing contained in this ordinance shall, in any event or under any circumstance, be deemed to authorize the acceleration of the maturity of principal on the Bonds, and the remedy of acceleration is expressly denied to the registered owners of the Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

(e) **Bond Owners' Trustee.** *The provisions of this subsection shall become effective with respect to Parity Bonds only upon the Second Parity Covenant Date.* The provisions of this subsection shall become effective immediately with respect to Bonds issued as Junior Lien Bonds. A Bond Owners' Trustee appointed in the manner provided in this section, and each successor thereto, is declared to be a trustee for all of the owners of the Parity Bonds (in the case of a Parity Bond Event of Default) or the owners of the Junior Lien Bonds (in the case of a Junior Lien Bond Event of Default), as applicable, and is empowered to exercise all the rights and powers herein conferred on the Bond Owners' Trustee.

(i) **Appointment of Bond Owners' Trustee; Removal.** Upon the occurrence and continuance of an Event of Default described in subsection (a) of this section, the registered owners of 25% in principal amount of the then outstanding Parity Bonds (or upon the occurrence and continuance of an Event of Default described in subsection (b) of this section, the registered owners of 25% in principal amount of the then outstanding Junior Lien Bonds, if such default is one described in subsection (b) of this section) may appoint a Bond Owners' Trustee by an instrument or concurrent instruments in writing signed by such registered owners

(or by their duly authorized attorneys-in-fact) and delivered to such Bond Owners' Trustee, with notification of such appointment given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bond Owners' Trustee. The entity acting as Bond Owners' Trustee may be removed at any time, and a successor Bond Owners' Trustee may be appointed, by the registered owners of more than 50% in principal amount of the Parity Bonds (in the case of a Parity Bond Event of Default) or 50% in principal amount of the Junior Lien Bonds (in the case of a Junior Lien Bond Event of Default), as applicable, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners or by their duly authorized attorneys-in-fact.

(ii) **Cure of Event of Default.** If the Bond Owners' Trustee furnishes to the City a certificate stating that, in its sole judgment, an Event of Default that has occurred has been cured, such Event of Default shall be conclusively deemed to be cured, and the City, the Bond Owners' Trustee, and the registered owners of the Parity Bonds or Junior Lien Bonds, as applicable, shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

(iii) **Suits at Law or in Equity.** Upon the occurrence of an Event of Default and during the continuance thereof, the Bond Owners' Trustee in its discretion may (and, upon the written request of the registered owners of not less than 25% in principal amount of the Parity Bonds (or Junior Lien Bonds, as applicable) then outstanding, shall) take such steps and institute such suits, actions, or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds (or Junior Lien Bonds, as applicable), to collect any amounts due and owing to or from the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this ordinance or set forth in any of the applicable Bond Documents.

Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder shall be brought in its name as the Bond Owners' Trustee and all such rights of action upon or under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bond Owners' Trustee without the possession of any of

those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law.

(iv) **Effect of Appointment of Bond Owners' Trustee.** Any suit, action, or proceeding instituted by the Bond Owners' Trustee shall be brought for the ratable benefit of all of the owners of the Parity Bonds (or Junior Lien Bonds, as applicable), subject to the provisions of this ordinance. The respective owners, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true and lawful trustee of the respective owners, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bond Owners' Trustee to consent to accept or adopt, on behalf of any owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds (or Junior Lien Bonds, as applicable) or any right of any registered owner thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

(v) **Bond Owners' Direction of Proceedings.** By an instrument or concurrent instruments in writing executed and delivered to the Bond Owners' Trustee, the owners of more than 50% in aggregate principal amount of the Parity Bonds (or Junior Lien Bonds, as applicable) then outstanding shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners (or the Bond Owners' Trustee for the benefit of the owners) under the applicable Parity Bond Documents. Notwithstanding the foregoing, the Bond Owners' Trustee shall have the right to decline to follow any such direction which in the opinion of the Bond Owners' Trustee, in reasonable reliance on advice of counsel, would be unjustly prejudicial to owners not parties to such direction.

(vi) **Limitation on Remedies; Limitations on Individual Actions.** It is understood and

intended that no owner of a Parity Bond, in the case of a Parity Bond Event of Default (or owner of a Junior Lien Bond, in the case of a Junior Lien Bond Event of Default) shall have any right in any manner whatever by its action to affect, disturb, or prejudice the security pledged in this ordinance or the rights of any other owners, or to enforce any right under the applicable Bond Documents or applicable law except in the manner provided in this section, and that all proceedings at law or in equity to enforce any such right shall be instituted, had, and maintained in the manner herein provided and for the equal and ratable benefit and protection of all owners of the Parity Bonds (or Junior Lien Bonds, as applicable), subject to the provisions of this ordinance.

(vii) **Limitations on Individual Actions.** No owner of a Parity Bond (or Junior Lien Bond, as applicable) shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless (A) such owner previously shall have given to the Bond Owners' Trustee written notice of the occurrence of an Event of Default; (B) the owners of more than 50% in aggregate principal amount of the then outstanding Parity Bonds (in the case of a Parity Bond Event of Default) or 50% in aggregate principal amount of the then outstanding Junior Lien Bonds (in the case of a Junior Lien Bond Event of Default) shall have made a written request to the Bond Owners' Trustee to exercise the powers granted above or to institute such suit, action, or proceeding in its own name; (C) such owners shall have tendered to the Bond Owners' Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Bond Owners' Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Owners' Trustee. The conditions set forth in (A) through (D) in the preceding sentence are hereby declared to be conditions precedent to the exercise by any owner of a Parity Bond (in the case of a Parity Bond Event of Default) or owner of a Junior Lien Bond (in the case of a Junior Lien Bond Event of Default) of any remedy under the applicable Bond Documents or under applicable law.

(viii) **Duties and Obligations of Bond Owners' Trustee.** The Bond Owners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During any period in

which an Event of Default has occurred and is continuing as to the Parity Bonds (or the Junior Lien Bonds, as applicable) the Bond Owners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bond Owners' Trustee shall have no liability for any act or omission to act hereunder except for the Bond Owners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bond Owners' Trustee shall be determined solely by the express provisions of this ordinance, and no implied powers, duties or obligations of the Bond Owners' Trustee shall be read into this ordinance. The Bond Owners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bond Owners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct. The fees and expenses of the Bond Owners' Trustee shall be borne by the owners of the Parity Bonds (or Junior Lien Bonds, as applicable) and not by the City. A Bond Owners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties. The Bond Owners' Trustee shall not be bound to recognize any person as a registered owner of any Parity Bond (or Junior Lien Bond, as applicable) until his or her title thereto, if disputed, has been established to its reasonable satisfaction. The Bond Owners' Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Bond Owners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

Section 25. **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, in his or her discretion and without further action by the City Council, (i) may issue requests for proposals to provide underwriting services or financing facilities (including, without limitation, Qualified Insurance, a Qualified Letter of Credit, or other credit support or liquidity facility) and may execute engagement letters and other agreements with underwriters and other financial institutions (including providers of liquidity or credit support) based on responses to such requests; (ii) may select and make decisions regarding the Bond Registrar, fiscal or paying agents, and any Securities Depository for each Series of the Bonds; (iii) may take any and all actions necessary or convenient to provide for the conversion of interest rate modes for any Series in accordance with the applicable Bond Documents; and (iv) may 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 Tax Credit Subsidy Payments in respect of any Series issued as Tax Credit Subsidy Bonds, and to otherwise receive any other federal tax benefits relating to any Series of the Bonds that are available to the City; and

(b) Each of the Mayor and the Director of Finance are each 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, providers of Qualified Insurance or Alternate Reserve Securities, remarketing agents, underwriters, lenders or other financial institutions, fiscal or paying agents, Qualified Counterparties, custodians, and the Bond Registrar); and (ii) such other contracts or documents incidental to the issuance and sale of any Series of the Bonds; the establishment of the interest rate or rates on a Bond; or the conversion, tender, purchase, remarketing, or redemption of a Bond, as may in the judgment of the Mayor or Director of Finance, as applicable, be necessary or appropriate.

Section 26. **Amendments to Omnibus Refunding Bond Ordinance.** Certain definitions set forth in

the Omnibus Refunding Bond Ordinance are amended to read as set forth in this section. Revisions are reflected as follows: additions are indicated by double underlining, and deletions are enclosed in double parentheses and struck through. References to section numbers and defined terms used in the amended text set forth below refer to the sections and definitions contained within the Omnibus Refunding Bond Ordinance, as amended. These amendments consist of clarifications of ambiguities or reflect the adoption of amendments consented to by the requisite percentage of owners of outstanding Parity Bonds pursuant to prior Parity Bond authorizing ordinances.

(a) **Amendments to Section 1 - Definitions.** The defined terms set forth below are amended or added, as follows:

* * *

“Annual Debt Service” means, with respect to either Parity Bonds (or a series of Parity Bonds) (**“Annual Parity Bond Debt Service”**) or Junior Lien Bonds (or a series of Junior Lien Bonds) (**“Annual Junior Lien Debt Service”**), as applicable, the sum of the amounts required in a calendar year to pay the interest due in such calendar year (excluding interest to be paid from the proceeds of the sale of bonds), the principal of Serial Bonds maturing in such calendar year, and the Sinking Fund Requirements for any Term Bonds due in such calendar year. Additionally, for purposes of this definition:

(a) **Calculation of Interest Due - Generally.** Except as otherwise provided below, interest shall be calculated based on the actual amount of accrued, accreted, or otherwise accumulated interest that is payable in respect of the relevant series of Parity Bonds or Junior Lien Bonds, as applicable, taken as a whole, at the rate or rates set forth in the applicable Bond Documents.

(b) **Capital Appreciation Bonds.** 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 the Bond Documents applicable to such Capital Appreciation Bonds.

(c) **Variable Interest Rate Bonds.**

(i) **Assumed Interest on Variable Interest Rate Parity Bonds.** The amount of interest deemed to be payable on any series of Parity Bonds that are Variable Interest Rate Bonds shall be calculated on the assumption that the interest rate on those bonds is equal to the rate that is 90% of the average RBI during the four calendar quarters ending at least 15 days preceding the quarter in which the calculation is made.

Upon the Parity Covenant Date, the following sentence shall replace the immediately preceding sentence: The amount of interest deemed to be payable on any series of Parity ((Junior-Lien)) Bonds that are Variable Interest Rate Bonds shall be calculated on the assumption that the interest rate on those bonds is equal to the highest 12-month rolling average of the SIFMA Municipal Swap Index over the preceding ten years. And, upon the Second Parity Covenant Date ((redemption or defeasance of all of the Outstanding Parity Bonds identified in Exhibit A to this ordinance)), a five-year look-back period shall be substituted for the ten-year period referenced in the immediately preceding sentence.

(ii) **Assumed Interest on Variable Interest Rate Junior Lien Bonds.** The amount of interest deemed to be payable on any series of Junior Lien Bonds that are Variable Interest Rate Bonds shall be calculated on the assumption that the interest rate on those bonds is equal to the highest 12-month rolling average (ending with the month preceding the date of the calculation) of the SIFMA Municipal Swap Index over the preceding five years.

(d) **Interest on Bonds with Respect to Which a Payment Agreement is in Force.** In general, debt service on any bonds (Parity Bonds or Junior Lien Bonds, as applicable) 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 applicable Bond Documents and the terms of the Payment Agreement. For example, if the net effect of the Payment Agreement on a series of bonds otherwise bearing interest at a variable interest rate is to produce an obligation bearing interest at a fixed rate, the relevant series of bonds shall be treated as fixed rate bonds. And if the net effect of the Payment Agreement on a series of bonds otherwise bearing interest at a fixed interest rate is to produce an obligation bearing interest at a variable interest rate, the relevant series of bonds shall be treated as Variable Interest Rate Bonds.

Accordingly, the amount of interest deemed to be payable on any series of Parity Bonds (or Junior Lien Bonds, as applicable) 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 or determined pursuant to the applicable Bond Documents, 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 series of bonds to which the Payment Agreement is related, it shall be assumed that: (i) the fixed rate used in calculating Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment Agreement, and (ii) the pricing mechanism or index specified by the Payment Agreement is the same as the pricing

mechanism or index specified by the applicable Bond Documents. Notwithstanding the other provisions of this definition, the City shall not be required to (but may in its discretion) take into account in determining Annual Debt Service the effects of any Payment Agreement that has a term of ten years or less.

(e) **Parity Payment Agreements; Junior Lien Payment Agreements.** For any period during which Payment Agreement Payments under a Parity Payment Agreement (or Junior Lien Payment Agreement, as applicable) are taken into account in determining Annual Debt Service on the related Parity Bonds (or Junior Lien Bonds, as applicable) under subsection (d), no additional debt service shall be taken into account with respect to that Parity Payment Agreement (or Junior Lien Payment Agreement, as applicable). However, for any period during which Payment Agreement Payments are not taken into account under subsection (d) because the Parity Payment Agreement (or Junior Lien Payment Agreement, as applicable) is not then related to any outstanding Parity Bonds (or Junior Lien Bonds, as applicable), payments on that Payment Agreement shall be taken into account by assuming:

(i) **If City is 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, it shall be assumed 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 Payment Agreement during the four calendar quarters preceding the quarter in which the calculation is made.

(ii) **If City is 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, it shall be assumed 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 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 Payment Agreement.

(f) **Balloon Bonds.** *Upon the Parity Covenant Date, the following sentence shall become effective: In calculating Annual ((Bond)) Debt Service for any series of Parity Bonds, the City may in its discretion treat the debt service requirements with respect to Parity Bonds that are Balloon Bonds (including principal of and interest on such bonds at the applicable rate or rates) as being amortized in approximately equal annual installments over a period equal to the longer of 30 years or the remaining term of such series of Parity Bonds.*

In calculating Annual Debt Service for any series of Junior Lien Bonds, the City may in its discretion treat the debt service requirements with respect to Junior Lien Bonds that are Balloon Bonds (including principal of and interest on such bonds at the applicable rate or rates) as being amortized in approximately equal annual installments over a period equal to the longer of 30 years or the remaining term of such series of Junior Lien Bonds.

(g) **Adjustments for Defeased Bonds.** For purposes of determining compliance with the rate covenants set forth in Sections 17(a)(ii) and 17(b)(ii), calculating the Reserve Fund Requirement, and making coverage ratio calculations in connection with the delivery of a Parity Certificate or Junior Lien Coverage Certificate, Annual Debt Service shall be adjusted as set forth in Section 20(d).

(h) ~~((Intermediate and Junior Lien))~~ **Reimbursement Obligations.** If any payment under a Parity Reimbursement Obligation is then due and payable, or is then reasonably expected to become due and payable, the reasonably estimated amount and timing of such payment, calculated in accordance with applicable generally accepted accounting principles and as reflected in the annual financial statements of the Light System, shall be included in calculating Annual Debt Service for purposes of delivering a Parity Certificate. If any payment under a Parity Reimbursement Obligation, an Intermediate Lien Reimbursement Obligation or ~~((under))~~ a Junior Lien Reimbursement Obligation is then due and payable, or is then reasonably expected to become due and payable, the reasonably estimated amount and timing of such payment, calculated in accordance with applicable generally accepted accounting principles and as reflected in the annual financial statements of the Light System, shall be included in calculating Annual Junior Lien Debt Service for purposes of delivering a Junior Lien Coverage Certificate.

* * *

“Intermediate Lien Reimbursement Obligation” means any payment or reimbursement obligation incurred under a written agreement entered into in connection with a series of Parity Bonds or to obtain Qualified Insurance or a Qualified Letter of Credit, under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue junior in rank to the lien and charge upon such Net Revenue required to be paid into the Parity Bond Fund to pay and secure the payment of the Parity Bonds, but senior to the lien and charge upon such Net Revenue required to be paid into the Junior Lien ~~((Bond))~~ Debt Service Fund to pay and secure the payment of the Junior Lien Bonds. ~~((Intermediate Lien Obligations shall include the subordinate~~

~~“Obligations” incurred under (and as defined in) that certain Continuing Covenant Agreement executed in connection with the issuance and sale of the City’s outstanding Municipal Light and Power Revenue Bonds, 2017A (Multimodal) and Municipal Light and Power Revenue Bonds, 2017B (Multimodal).)~~ For purposes of determining percentages of ownership of ~~((Junior Lien))~~ Bonds under this ordinance or under any Bond Documents, ~~((Junior Lien))~~ Intermediate Lien Reimbursement Obligations shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable ~~((Junior Lien))~~ Intermediate Lien Reimbursement Obligations.

* * *

“Junior Lien Bond” means, generally, any bond or obligation secured by a lien and charge on Net Revenue that is junior and subordinate to the lien and charge of the Parity Bonds and Intermediate Lien Reimbursement Obligations, but prior and superior to other liens and charges, in accordance with the priority of payment set forth in Section 14. The terms Junior Lien Bond may refer to (a) any Bond of a Series issued pursuant to this ordinance that is so designated by the Director of Finance upon satisfaction of the Junior Lien Additional Bonds Test, (b) any Future Junior Lien Bonds; (c) any Junior Lien Payment Agreement; and (d) any Junior Lien Reimbursement Obligation.

* * *

“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 of paying and securing the payment of principal of and interest on Parity Bonds (including Parity Payment Agreement Payments) and, *from and after the Parity Covenant Date, payments under Parity Reimbursement Obligations.*

* * *

“Parity Reimbursement Obligation” means any payment or reimbursement obligation incurred under a written agreement entered into in connection with a series of Parity Bonds or to obtain Qualified Insurance or a Qualified Letter of Credit (other than Qualified Insurance or a Qualified Letter of Credit obtained to satisfy all or part of the Reserve Fund Requirement), under which the City’s payment obligations are expressly stated to constitute a lien and charge on Net Revenue equal in rank to the lien and charge 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 the Parity Bonds. Parity Reimbursement Obligations accruing as a result of a mandatory tender for purchase of Parity Bonds shall be excluded from the calculation of Annual Debt Service for all purposes. For purposes of determining percentages of ownership of Parity Bonds, Parity Reimbursement Obligations shall be deemed to have no principal amount, and any consent or similar rights (if any) shall be determined only as set forth in the applicable Parity Reimbursement Obligations.

* * *

“Second Parity Covenant Date” means the earlier of (a) the date on which the City has obtained consents of the requisite percentage of Registered Owners of the Parity Bonds then outstanding, in accordance with the provisions of the applicable Outstanding Parity Bond Documents; or (b) the date on which all of the following Outstanding Parity Bonds have been redeemed or defeased; Municipal Light and Power Revenue Bonds, 2010A (Taxable Building America Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2010B; Municipal Light and Power Revenue Bonds, 2010C (Taxable Recovery Zone Economic Development Bonds - Direct

Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2011A; Municipal Light and Power Improvement Revenue Bonds, 2011B (Taxable New Clean Renewable Energy Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2012A; Municipal Light and Power Improvement Revenue Bonds, 2012C (Taxable New Clean Renewable Energy Bonds - Direct Payment); Municipal Light and Power Improvement and Refunding Revenue Bonds, 2013; Municipal Light and Power Improvement and Refunding Revenue Bonds, 2014; Municipal Light and Power Revenue Bonds, 2015A; Municipal Light and Power Revenue Bonds, 2016A (Taxable New Clean Renewable Energy Bonds - Direct Payment); Municipal Light and Power Refunding Revenue Bonds, 2016B; Municipal Light and Power Improvement and Refunding Revenue Bonds, 2016C; and Municipal Light and Power Improvement and Refunding Revenue Bonds, 2017C.

(b) Amendments to subsection (a) of Section 3 - Authorization of the Bonds; Due Regard Finding.

Section 3(a) of the Omnibus Refunding Ordinance is amended to read as follows:

(a) **The Bonds.** The City is authorized to issue municipal light and power revenue bonds payable from the sources described in Section 13 and secured as either Parity Bonds or Junior Lien Bonds, as determined by the Director of Finance in accordance with Section 5. The Bonds may be issued in one or more Series in a maximum aggregate principal amount not to exceed the amount stated in Section 5, for the purposes of: (a) providing funds, from time to time, to carry out the current or advance refunding (which may be accomplished by means of a forward delivery, “Cinderella,” or other similar structure, regardless of whether deemed a “refunding” under the Code) of all or a portion of the outstanding Refundable Bonds pursuant to an approved Refunding Plan; (b) providing for the Reserve Fund Requirement (if any); (c)

capitalizing interest on the Bonds (if necessary) and paying costs of issuance; and (d) for other Light System purposes approved by ordinance. The Bonds may be issued in multiple Series and may be combined with other municipal light and power revenue 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. Any Series of the Bonds designated as Junior Lien Bonds shall bear a designation clearly indicating that such Bonds are Junior Lien Bonds.

(c) **Amendments to Section 14 - Priority Expenditure of Gross Revenues; Flow of Funds.** Section 14 of the Omnibus Refunding Ordinance is amended to read as follows:

Section 14. Priority Expenditure of Gross Revenues; Flow of Funds. Gross Revenues shall be deposited as received in the Light Fund and used for the following purposes only, in the following order of priority:

- (a) To pay the Operating and Maintenance Expense of the Light System;
- (b) to make, when due, all payments into the Parity Bonds Fund required to be made in order to pay the interest on and principal of all Parity Bonds, including all Parity Bond Sinking Fund requirements, ~~((and))~~ all net payments under Parity Payment Agreements, ~~((when due))~~ **and, from and after the Parity Covenant Date, to make all payments required to be made (if any) in respect of Parity Reimbursement Obligations;**
- (c) To make all payments required to be made (if any) into the Reserve Fund necessary to satisfy the Reserve Fund Requirement, to make all payments (if any) required to be made under Section 15(c)(i)(B) into a special account within the Light Fund for the replacement of an Alternate Reserve Security as to which the City has received a notice of cancellation, **and from and after the Parity Covenant Date, to pay**

any reimbursement obligations under any Alternate Reserve Security;

- (d) To make all payments required to be made (if any) in respect of Intermediate Lien Reimbursement Obligations;
- (e) To make all payments into the Junior Lien Debt Service Fund required to be made in order to pay the interest on and principal of all Junior Lien Bonds, including all net payments under Junior Lien Payment Agreements and all Junior Lien Reimbursement Obligations, when due;
- (f) To make all required payments into any revenue bond redemption fund created to pay and secure the payment of the principal of and interest on any revenue bonds or short-term obligations of the City having a charge and lien upon Net Revenue subordinate to the lien thereon for the payment of the principal of and interest on the Parity Bonds and the Junior Lien Bonds; and
- (g) Without priority, for any of the following purposes: to retire by redemption or purchase any outstanding revenue bonds or revenue obligations of the Light System; to make necessary additions, betterments, repairs, extensions, and replacements of the Light System; to pay City taxes or other payments in lieu of taxes payable from Gross Revenues; to make deposits to the Rate Stabilization Account; or for any other lawful Light System purpose.

(h) **Other Sections Unaffected.** All other provisions of the Omnibus Refunding Bond Ordinance remain in full force and effect, including without limitation any springing amendments that may have become effective in accordance with their terms.

Section 27. **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 28. **Ratification of Prior Acts.** Any action taken consistent with the authority of this ordinance after its passage but prior to its effective date, is ratified, approved and confirmed.

Section 29. **Section Headings.** Section headings in this ordinance are used for convenience only and shall not constitute a substantive portion of this ordinance.

Section 30. **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 _____, 2019, and signed by me in open session in authentication of its passage this _____ day of _____, 2019.

President _____ of the City Council

Approved by me this _____ day of _____, 2019.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2019.

Monica Martinez Simmons, City Clerk

(Seal)

Exhibits:

Exhibit A - Outstanding Parity Bonds

Exhibit B - Form of Continuing Disclosure Agreement