



SEATTLE CITY COUNCIL

Legislative Summary

CB 119102

Record No.: CB 119102

Type: Ordinance (Ord)

Status: Passed

Version: 1

Ord. no: Ord 125454

In Control: City Clerk

File Created: 09/08/2017

Final Action: 11/28/2017

Title: AN ORDINANCE relating to the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds in one or more series for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, 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 those bonds; and ratifying and confirming certain prior acts.

Date

Notes:

Filed with City Clerk:

Sponsors: Herbold

Mayor's Signature:

Vetoed by Mayor:

Veto Overridden:

Veto Sustained:

Attachments: Ex A – Outstanding Drainage and Wastewater System Parity Bonds, Ex B – Form of Continuing Disclosure Agreement

Drafter: adam.schaefer@seattle.gov

Filing Requirements/Dept Action:

History of Legislative File

Legal Notice Published:

Yes

No

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	Mayor	09/25/2017	Mayor's leg transmitted to Council	City Clerk			
1	City Clerk	10/18/2017	sent for review	Council President's Office			
1	Council President's Office	10/19/2017	sent for review	Select Budget Committee			

Action Text: The Council Bill (CB) was sent for review. to the Select Budget Committee

Notes:

Legislative Summary Continued (CB 119102)

- 1 Full Council 10/23/2017 referred Select Budget Committee
- 1 Select Budget Committee 11/14/2017
- 1 Select Budget Committee 11/15/2017 pass Pass
- Action Text:** The Committee recommends that Full Council pass the Council Bill (CB).
- In Favor: 8 Member Bagshaw, Member Harrell, Member Harris-Talley, Chair Herbold, Vice Chair Johnson, Member Juarez, Vice Chair O'Brien, Member Sawant
- Opposed: 0
- Absent(NV): 1 Member González
- 1 Full Council 11/20/2017 passed Pass
- Action Text:** The Council Bill (CB) was passed by the following vote, and the President signed the Bill:
- Notes:**
- In Favor: 9 Councilmember Bagshaw, Councilmember González , Council President Harrell, Councilmember Harris-Talley, Councilmember Herbold, Councilmember Johnson, Councilmember Juarez, Councilmember O'Brien, Councilmember Sawant
- Opposed: 0
- 1 City Clerk 11/22/2017 submitted for Mayor
Mayor's signature
- 1 Mayor 11/22/2017 Signed
- 1 Mayor 11/28/2017 returned City Clerk
- 1 City Clerk 11/28/2017 attested by City Clerk
- Action Text:** The Ordinance (Ord) was attested by City Clerk.
- Notes:**
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CITY OF SEATTLE

ORDINANCE 125454

COUNCIL BILL 119102

AN ORDINANCE relating to the drainage and wastewater system of The City of Seattle; adopting a system or plan of additions and betterments to and extensions of the existing drainage and wastewater system; authorizing the issuance and sale of drainage and wastewater revenue bonds in one or more series for the purposes of paying part of the cost of carrying out that system or plan, providing for the reserve requirement, 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 those bonds; and ratifying and confirming certain prior acts.

WHEREAS, The City of Seattle (the "City") owns, maintains, and operates a system of sanitary sewerage and storm and surface water drainage as part of Seattle Public Utilities (the "Drainage and Wastewater System"), which Drainage and Wastewater System has from time to time required various additions, improvements, betterments, and extensions; and

WHEREAS, the City desires to acquire and construct a system or plan of further additions, improvements, betterments to, and extensions of the Drainage and Wastewater System (the "Plan of Additions") as described in this ordinance, and has a need 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 drainage and wastewater revenue bonds (as identified in Exhibit A to this ordinance, the "Outstanding Parity Bonds") and pursuant to the Parity Bond Ordinances permitted the future issuance of additional bonds ("Future Parity Bonds") having a charge and lien on the net revenue of the Drainage and Wastewater System on a parity of lien with those Outstanding Parity Bonds, upon satisfaction of certain conditions (the "Parity Conditions"); and

WHEREAS, the City has determined that it is in the best interest of the City and its ratepayers to authorize the issuance and sale, subject to the provisions of this ordinance, of drainage and

1 wastewater revenue bonds as Parity Bonds to pay part of the cost of carrying out the Plan
2 of Additions, to provide for the reserve requirement, and to pay the costs of issuance of
3 those bonds; NOW, THEREFORE,

4 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

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

7 “**Accreted Value**” means with respect to any Capital Appreciation Bond (a) as of any
8 Valuation Date, the amount determined for such Valuation Date in accordance with the applicable
9 Parity Bond Documents, and (b) as of any date other than a Valuation Date, the sum of (i) the
10 Accreted Value on the preceding Valuation Date and (ii) the product of (A) a fraction, the
11 numerator of which is the number of days having elapsed from the preceding Valuation Date and
12 the denominator of which is the number of days from such preceding Valuation Date to the next
13 succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during
14 any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, and
15 (B) the difference between the Accreted Values for such Valuation Dates.

16 “**Adjusted Annual Debt Service**” for any fiscal year means Annual Debt Service minus
17 (a) an amount equal to ULID Assessments due in that year and not delinquent, (b) an amount equal
18 to earnings from investments in the Reserve Subaccount, and (c) Annual Debt Service provided
19 for by Parity Bond proceeds.

20 “**Adjusted Gross Revenue**” means, for any period, Gross Revenue (a) plus withdrawals
21 from the Rate Stabilization Account made during that period, and (b) minus ULID Assessments,
22 earnings from investments in the Reserve Subaccount, and deposits into the Rate Stabilization
23 Account made during that period.

1 **“Adjusted Net Revenue”** means Adjusted Gross Revenue less Operating and
2 Maintenance Expense.

3 **“Annual Debt Service”** for any calendar year means the sum of the amounts required in
4 such calendar year to pay the interest due in such calendar year on all Parity Bonds outstanding,
5 excluding interest to be paid from the proceeds of the sale of Parity Bonds or other bonds; the
6 principal of all outstanding Serial Bonds due in such calendar year; and the Sinking Fund
7 Requirement, if any, for such calendar year. Additionally, for purposes of calculating and
8 determining compliance with the Coverage Requirement, the Reserve Requirement and the
9 conditions for the issuance of Future Parity Bonds and/or entering into Parity Payment
10 Agreements, the following shall apply:

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

15 (b) **Capital Appreciation Bonds.** For purposes of this definition, the principal and
16 interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity
17 or by virtue of a Sinking Fund Requirement shall be included in the calculations of accrued and
18 unpaid and accruing interest or principal in such manner and during such period of time as is
19 specified in the Parity Bond Documents applicable to such Capital Appreciation Bonds.

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

1 (d) **Interest on Parity Bonds With Respect to Which a Payment Agreement is in**
2 **Force.** Debt service on Parity Bonds with respect to which a Payment Agreement is in force shall
3 be based on the net economic effect on the City expected to be produced by the terms of the Parity
4 Bonds and the terms of the Payment Agreement. For example, if the net economic effect of the
5 Payment Agreement and a series of Parity Bonds otherwise bearing interest at a variable rate is to
6 produce an obligation bearing interest at a fixed interest rate, the relevant series of bonds shall be
7 treated as fixed interest rate bonds. And if the net economic effect of the Payment Agreement and
8 a series of Parity Bonds otherwise bearing interest at a fixed rate is to produce an obligation bearing
9 interest at a variable interest rate, the relevant series of bonds shall be treated as Variable Interest
10 Rate Bonds.

11 Accordingly, the amount of interest deemed to be payable on any Parity Bonds with respect
12 to which a Payment Agreement is in force shall be an amount equal to the amount of interest that
13 would be payable at the rate or rates stated in or determined pursuant to the applicable Parity Bond
14 Documents, plus Payment Agreement Payments, minus Payment Agreement Receipts. For the
15 purposes of calculating as nearly as practicable Payment Agreement Receipts and Payment
16 Agreement Payments under a Payment Agreement that includes a variable rate component
17 determined by reference to a pricing mechanism or index that is not the same as the pricing
18 mechanism or index used to determine the variable rate interest component on the Parity Bonds to
19 which the Payment Agreement is related, it shall be assumed that the fixed rate used in calculating
20 Payment Agreement Payments will be equal to 105% of the fixed rate specified by the Payment
21 Agreement and that the pricing mechanism or index specified by the Payment Agreement is the
22 same as the pricing mechanism or index specified by the applicable Parity Bond Documents.
23 Notwithstanding the other provisions of this definition, the City shall not be required to (but may

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

3 (e) **Parity Payment Agreements.** For any period during which Payment Agreement
4 Payments on a Parity Payment Agreement are taken into account in determining Annual Debt
5 Service on related Parity Bonds under paragraph (d) of this definition, no additional debt service
6 shall be taken into account with respect to that Parity Payment Agreement. However, for any Parity
7 Payment Agreement during a period in which Payment Agreement Payments are not taken into
8 account under paragraph (d) because the Parity Payment Agreement is not then related to any
9 outstanding Parity Bonds, payments on that Parity Payment Agreement shall be taken into account
10 by assuming:

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

18 (ii) **If City is Obligated to Make Payments Based on Variable Rate Index.**
19 If the City is obligated to make Payment Agreement Payments based on a variable rate index and
20 the Qualified Counterparty is obligated to make payments based on a fixed rate, it shall be assumed
21 that payments by the City will be based on a rate equal to the average rate determined by the
22 variable rate index specified by the Parity Payment Agreement during the four calendar quarters

1 preceding the quarter in which the calculation is made, and that the Qualified Counterparty will
2 make payments based on the fixed rate specified by the Parity Payment Agreement.

3 (f) **Balloon Bonds.** *Upon the redemption or defeasance of all of the 2008 Bonds,*
4 *2009A Bonds, 2009B Bonds, 2012 Bonds, 2014 Bonds, and 2016 Bonds (as such Outstanding*
5 *Parity Bonds are identified in Exhibit A), the following shall become effective: For purposes of*
6 *calculating debt service on any Balloon Bonds, the City may assume that the principal of those*
7 *Balloon Bonds, together with interest thereon at a rate equal to the assumed RBI-based rate,*
8 *will be amortized in equal annual installments over a term of 30 years.*

9 (g) **Adjustments for Defeased Bonds.** For purposes of calculating and determining
10 compliance with the Coverage Requirement, the Reserve Requirement, and the Parity Conditions,
11 Annual Debt Service shall be adjusted as set forth in Section 21(d).

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

15 **“Average Annual Debt Service”** means, at the time of calculation, the sum of the Annual
16 Debt Service remaining to be paid to the last scheduled maturity of the applicable series of Parity
17 Bonds divided by the number of years such bonds are scheduled to remain outstanding.

18 **“Balloon Bonds”** means any series of Parity Bonds, the aggregate principal amount
19 (including Sinking Fund Requirements) of which becomes due and payable in any calendar year
20 in an amount that constitutes 25% or more of the initial aggregate principal amount of such series
21 of Parity Bonds.

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

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

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

12 **“Bond Insurance”** means any municipal bond insurance policy, guaranty, surety bond, or
13 similar credit enhancement device providing for or securing the payment of all or part of the
14 principal of and interest on any Parity Bonds, issued by an insurance company licensed to conduct
15 an insurance business in any state of the United States (or by a service corporation acting on behalf
16 of one or more such insurance companies), or by any other financial institution qualified to provide
17 such credit enhancement device.

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

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

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

6 **“Bond Sale Terms”** means the terms and conditions for the sale of a Series of the Bonds
7 approved by the Director of Finance consistent with the parameters set forth in Section 5, including
8 the amount, date or dates, denominations, interest rate or rates (or mechanism for determining the
9 interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms,
10 conditions or covenants. In connection with a negotiated sale or private placement, the Bond Sale
11 Terms shall be set forth in the Bond Purchase Contract; in connection with a competitive sale, the
12 Bond Sale Terms shall be set forth in a Pricing Certificate.

13 **“Bonds”** means the Drainage and Wastewater System revenue bonds issued pursuant to
14 this ordinance.

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

21 **“CIP”** means those portions of the City’s “2017-2022 Capital Improvement Program”
22 relating to the Drainage and Wastewater System, adopted by the City in Ordinance 125207,
23 together with any previously adopted Capital Improvement Program of the City. For purposes of

1 this ordinance, the CIP includes all amendments, updates, supplements or replacements that may
2 be adopted from time to time by ordinance.

3 **“Capital Appreciation Bond”** means any Parity Bond, all or a portion of the interest on
4 which is compounded and accumulated at the rates or in the manner, and on the dates, set forth in
5 the applicable Bond Documents and is payable only upon redemption or on the maturity date of
6 such Parity Bond. A Parity Bond that is issued as a Capital Appreciation Bond, but which later
7 converts to an obligation on which interest is paid periodically, shall be a Capital Appreciation
8 Bond until the conversion date and thereafter shall no longer be a Capital Appreciation Bond, but
9 shall be treated as having a principal amount equal to its Accreted Value on the conversion date.
10 For purposes of computing the principal amount of Parity Bonds held by the Owner of any Capital
11 Appreciation Bond in connection with any notice, consent, request, or demand, the principal
12 amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value at the time that
13 such notice, consent, request, or demand is given or made.

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

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

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

20 **“Construction Account”** means the Drainage and Wastewater Construction Account,
21 2018, created in the Drainage and Wastewater Fund by this ordinance.

22 **“Continuing Disclosure Agreement”** means, for each Series sold in an offering subject
23 to federal securities regulations requiring a written undertaking to provide continuing disclosure,

1 a continuing disclosure agreement entered into pursuant to Section 23, in substantially the form
2 attached as Exhibit B.

3 **“Contract Resource Obligation”** means an obligation of the City that is designated as a
4 Contract Resource Obligation and is entered into in accordance with Section 20.

5 **“Coverage Requirement”** means Adjusted Net Revenue equal to at least 1.25 times
6 Adjusted Annual Debt Service on all Parity Bonds then outstanding.

7 **“Covered Parity Bonds”** means all Outstanding Parity Bonds, each Series of the Bonds,
8 and each series of Future Parity Bonds. *From and after the redemption or defeasance of the 2008*
9 *Bonds, 2009A Bonds, 2009B Bonds, 2012 Bonds, 2014 Bonds, and 2016 Bonds (the “Reserve*
10 *Covenant Date”)*, the term “Covered Parity Bonds” shall exclude each series of Parity Bonds for
11 which the Bond Sale Terms provide that, from and after the Reserve Covenant Date, such series
12 shall no longer be treated as a series of Covered Parity Bonds and shall no longer be secured by
13 the amounts in the Reserve Subaccount.

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

15 **“Director of Finance”** means the Director of the Finance Division of the Department of
16 Finance and Administrative Services of the City, or any other officer who succeeds to substantially
17 all of the responsibilities of that office.

18 **“Drainage and Wastewater Fund”** means the fund created by Ordinance 84390 and later
19 renamed by Ordinance 114155, into which is paid the Gross Revenue of the Drainage and
20 Wastewater System.

21 **“Drainage and Wastewater System”** means the drainage and wastewater system of the
22 City, including the sanitary sewerage and storm and surface water drainage systems, as it now
23 exists (except properties, interests, and rights under the jurisdiction of the City’s Parks and

1 Recreation Department, Seattle Center Department, Seattle Public Utilities Water System, City
2 Light Department and Fleets and Facilities Department), and all additions thereto and betterments
3 and extensions thereof at any time made, together with any utility systems of the City hereafter
4 combined with the Drainage and Wastewater System. The Drainage and Wastewater System shall
5 not include any separate utility system that may be created, acquired or constructed by the City as
6 provided in Section 19.

7 **“Event of Default”** shall have the meaning assigned to that term in Section 25(a).

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

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

13 **“Future Parity Bonds”** means, with reference to any Series, all revenue bonds and
14 obligations of the Drainage and Wastewater System (other than that Series and any other Parity
15 Bonds then outstanding) issued or entered into after the Issue Date of such Series, the payment of
16 which constitutes a charge and lien on Net Revenue equal in priority with the charge and lien upon
17 such revenue for the payment of the amounts required to be paid into the Parity Bond Account in
18 accordance with Section 15. Future Parity Bonds may include Parity Payment Agreements and
19 any other obligations issued in compliance with the Parity Conditions.

20 **“Government Obligations”** means, unless otherwise limited in the Bond Documents for
21 a particular Series of the Bonds, any government obligation as that term is defined in RCW
22 39.53.010, as now in effect or as may be hereafter amended.

1 **“Gross Revenue”** means (a) all income, revenues, receipts and profits derived by the City
2 through the ownership and operation of the Drainage and Wastewater System; (b) the proceeds
3 received by the City directly or indirectly from the sale, lease or other disposition of any of the
4 properties, rights or facilities of the Drainage and Wastewater System; (c) Payment Agreement
5 Receipts, to the extent that such receipts are not offset by Payment Agreement Payments; and
6 (d) the investment income earned on money held in any fund or account of the City, including any
7 bond redemption funds and the accounts therein, in connection with the ownership and operation
8 of the Drainage and Wastewater System. Gross Revenue does not include: (a) income derived from
9 investments irrevocably pledged to the payment of any defeased bonds payable from Gross
10 Revenue; (b) investment income set aside for or earned on money in any fund or account created
11 or maintained solely for the purpose of complying with the arbitrage rebate provisions of the Code;
12 (c) any gifts, grants, donations or other funds received by the City from any State or federal agency
13 or other person if such gifts, grants, donations or other funds are the subject of any limitation or
14 reservation imposed by the donor or grantor or imposed by law or administrative regulation to
15 which the donor or grantor is subject, limiting the application of such funds in a manner
16 inconsistent with the application of Gross Revenue hereunder; (d) the proceeds of any borrowing
17 for capital improvements (or the refinancing thereof); (e) the proceeds of any liability or other
18 insurance, including but not limited to insurance proceeds compensating the City for the loss of a
19 capital asset, but excluding business interruption insurance or other insurance of like nature
20 insuring against the loss of revenues; (f) general *ad valorem* taxes, excise taxes and special
21 assessments (other than ULID Assessments), including interest and penalties thereon; and
22 (g) earnings of any separate utility system that may be created, acquired, or constructed by the City
23 pursuant to Section 19.

1 **“Independent Utility Consultant”** means an independent person or firm having a
2 favorable reputation for skill and experience with drainage and wastewater systems of comparable
3 size and character to the Drainage and Wastewater System in such areas as are relevant to the
4 purpose for which they were retained.

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

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

10 **“MSRB”** means the Municipal Securities Rulemaking Board.

11 **“Maximum Annual Debt Service”** means, at the time of calculation, the maximum
12 amount of Annual Debt Service that shall become due in the current calendar year or in any future
13 calendar year with respect to the Parity Bonds then outstanding.

14 **“Net Revenue”** means, for any period, Gross Revenue less Operating and Maintenance
15 Expense.

16 **“Omnibus Refunding Ordinance”** means an ordinance passed simultaneously with this
17 ordinance authorizing the refunding of drainage and wastewater revenue bonds (as it may be
18 amended from time to time), or any other ordinance of the City passed in the future, pursuant to
19 which the Bonds (or any Series of the Bonds) are designated as “Refundable Bonds.”

20 **“Operating and Maintenance Expense”** means all expenses incurred by the City in
21 causing the Drainage and Wastewater System to be operated and maintained in good repair,
22 working order and condition, including without limitation: (a) deposits, premiums, assessments or
23 other payments for insurance, if any, on the Drainage and Wastewater System; (b) payments into

1 pension funds; (c) State-imposed taxes; (d) amounts due under Contract Resource Obligations in
2 accordance with Section 20; (e) payments made to another person or entity for treatment or
3 disposal of sewage or other commodity or service; and (f) payments with respect to any other
4 expenses of the Drainage and Wastewater System that are properly treated as Operating and
5 Maintenance Expense under generally accepted accounting principles applicable to municipal
6 corporations, including payments (other than payments out of proceeds of Parity Bonds or other
7 obligations not issued to pay current expenses of the Drainage and Wastewater System) into
8 reasonable reserves for items of operating or maintenance expense the payment of which is not
9 immediately required. Operating and Maintenance Expense does not include: depreciation,
10 amortization or other similar recognitions of non-cash expense items made for accounting
11 purposes only; taxes levied or imposed by the City, or payments in lieu of City taxes; payments of
12 claims or judgments; or capital additions or capital replacements of the Drainage and Wastewater
13 System.

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

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

20 **“Parity Bond Account”** means the Drainage and Wastewater Revenue Bond Account,
21 1990, created by Ordinance 115098 in the Drainage and Wastewater Fund for the purpose of
22 paying and securing payment of the principal of and interest on Parity Bonds.

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

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

6 **“Parity Bonds”** means the Outstanding Parity Bonds identified in Exhibit A, each Series
7 of the Bonds, and any Future Parity Bonds then outstanding. Parity Bonds may include Parity
8 Payment Agreements in accordance with Section 17.

9 **“Parity Certificate”** means a certificate delivered pursuant to Section 17 for purposes of
10 satisfying the Parity Conditions in connection with the issuance of Future Parity Bonds.

11 **“Parity Conditions”** means (a) for purposes of establishing that a Series of the Bonds may
12 be issued on parity with the Parity Bonds outstanding as of the Issue Date of such Series, the
13 conditions for issuing Future Parity Bonds set forth in the Parity Bond Ordinances relating to those
14 Parity Bonds that are then outstanding; and (b) for purposes of issuing Future Parity Bonds on
15 parity with a Series of the Bonds, the conditions described in the preceding clause (a) together with
16 the conditions set forth in Section 17.

17 **“Parity Payment Agreement”** means a Payment Agreement which is entered into in
18 compliance with the Parity Conditions and under which the City’s payment obligations are
19 expressly stated to constitute a charge and lien on Net Revenue equal in rank with the charge and
20 lien upon such Net Revenue required to be paid into the Parity Bond Account to pay and secure
21 the payment of interest on Parity Bonds. For purposes of determining percentages of ownership of
22 Parity Bonds under this ordinance or under applicable Parity Bond Documents, Parity Payment

1 Agreements shall be deemed to have no principal amount, and any notice, consent, or similar rights
2 (if any) shall be determined only as set forth in the applicable Parity Payment Agreement.

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

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

16 **“Payment Agreement Receipts”** means the amounts periodically required to be paid by
17 a Qualified Counterparty to the City pursuant to a Payment Agreement.

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

20 **“Plan of Additions”** means the CIP, as it may be modified from time to time. The Plan of
21 Additions includes (a) the purchase and installation of all materials, supplies, appliances,
22 equipment and facilities; (b) the acquisition of all permits, franchises, property and property rights,
23 and other capital assets; and (c) all engineering, consulting and other professional services and

1 studies (whether performed by the City or by other public or private entities), each as necessary or
2 convenient to carry out the Plan of Additions. The Plan of Additions includes all amendments,
3 updates, supplements or replacements to the CIP, all of which automatically shall constitute
4 amendments to the Plan of Additions. The Plan of Additions also may be modified to include other
5 improvements, without amending the CIP if the City determines by ordinance that those
6 amendments or other improvements constitute a system or plan of additions to or betterments or
7 extensions of the Drainage and Wastewater System.

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

11 **“Principal and Interest Subaccount”** means the subaccount of that name created in the
12 Parity Bond Account by Ordinance 115098 for the payment of the principal of and interest on
13 Parity Bonds.

14 **“Purchaser”** means the entity or entities who have been selected by the Director of
15 Finance in accordance with this ordinance to serve as underwriter, purchaser or successful bidder
16 in a sale of any Series.

17 **“Qualified Counterparty”** means a party (other than the City or a party related to the
18 City) who is the other party to a Payment Agreement, (a)(i) whose senior debt obligations are rated
19 in one of the three highest rating categories of each Rating Agency (without regard to any
20 gradations within a rating category), or (ii) whose obligations under the Payment Agreement are
21 guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution
22 which has been assigned a credit rating in one of the two highest rating categories of each Rating

1 Agency; and (b) who is otherwise qualified to act as the other party to a Payment Agreement under
2 any applicable laws of the State.

3 **“Qualified Insurance”** means any Bond Insurance that, as of the time of issuance of such
4 credit enhancement device, is provided by an entity rated in one of the two highest rating categories
5 (without regard to any gradations within a rating category) by at least two nationally recognized
6 rating agencies.

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

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

16 **“Rate Stabilization Account”** means the account of that name previously established by
17 Section 26 of Ordinance 118974.

18 **“Rating Agency”** means any nationally recognized rating agency then maintaining a rating
19 on a series of then outstanding Parity Bonds at the request of the City.

20 **“Record Date”** means, unless otherwise defined in the Bond Documents, in the case of
21 each interest or principal payment date, the Bond Registrar’s close of business on the 15th day of
22 the month preceding the interest or principal payment date. With regard to redemption of a Bond
23 prior to its maturity, the Record Date shall mean the Bond Registrar’s close of business on the day

1 prior to the date on which the Bond Registrar sends the notice of redemption to the Registered
2 Owner(s) of the affected Bonds.

3 **“Refundable Bonds”** means Parity Bonds that may be refunded pursuant to the Omnibus
4 Refunding Ordinance.

5 **“Refunding Parity Bonds”** means Future Parity Bonds that satisfy the applicable Parity
6 Conditions and are issued pursuant to the Omnibus Refunding Ordinance, or other Future Parity
7 Bond Ordinance, for the purpose of refunding any Refundable Bonds.

8 **“Registered Owner”** means, with respect to a Bond, the person in whose name that Bond
9 is registered on the Bond Register. For so long as a Series of the Bonds is in Book-Entry Form
10 under the Letter of Representations, the Registered Owner of such Series shall mean the Securities
11 Depository.

12 **“Registration Ordinance”** means City Ordinance 111724 establishing a system of
13 registration for the City’s bonds and other obligations pursuant to Seattle Municipal Code Chapter
14 5.10, as that chapter now exists or may hereafter be amended.

15 **“Reserve Requirement”** means the least of (a) Maximum Annual Debt Service on all
16 Parity Bonds outstanding at the time of calculation, (b) 1.25 times Average Annual Debt Service
17 on all Parity Bonds outstanding at the time of calculation, or (c) the sum of 10% of the proceeds
18 of each series of Parity Bonds then outstanding, as of the delivery of each such series. *From and*
19 *after the defeasance or redemption of the 2008 Bonds, 2009A Bonds, 2009B Bonds, 2012 Bonds,*
20 *2014 Bonds, and 2016 Bonds (as such Outstanding Parity Bonds are identified in Exhibit A),*
21 *the Reserve Requirement shall mean the least of (a) Maximum Annual Debt Service on all*
22 *Covered Parity Bonds outstanding at the time of calculation, or (b) 1.25 times Average Annual*
23 *Debt Service on all Covered Parity Bonds outstanding at the time of calculation. In no event*

1 *shall the Reserve Requirement exceed the sum of 10% of the proceeds of each series of Covered*
2 *Parity Bonds then outstanding, determined as of the Issue Date of each such series.*

3 **“Reserve Security”** means any Qualified Insurance or Qualified Letter of Credit obtained
4 by the City to satisfy part or all of the Reserve Requirement, and which is not cancelable on less
5 than three years’ notice.

6 **“Reserve Subaccount”** means the subaccount of that name created in the Parity Bond
7 Account by Ordinance 115098 for the purpose of securing the payment of the principal of and
8 interest on Parity Bonds.

9 **“Rule 15c2-12”** means Rule 15c2-12 promulgated by the SEC under the Securities
10 Exchange Act of 1934, as amended.

11 **“SEC”** means the United States Securities and Exchange Commission.

12 **“Securities Depository”** means DTC, any successor thereto, any substitute Securities
13 Depository selected by the City, or the nominee of any of the foregoing. Any successor or
14 substitute Securities Depository must be qualified under applicable laws and regulations to provide
15 the services proposed to be provided by it.

16 **“Serial Bonds”** means Parity Bonds maturing in specified years, for which no Sinking
17 Fund Requirements are mandated.

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

19 **“Sinking Fund Account”** means any account created in the Parity Bond Account to
20 amortize the principal or make mandatory redemptions of Term Bonds.

21 **“Sinking Fund Requirement”** means, for any calendar year, the principal amount and
22 premium, if any, of Term Bonds required to be purchased, redeemed, paid at maturity or paid into

1 any Sinking Fund Account for such calendar year, as established pursuant to the Bond Documents
2 relating to such Term Bonds.

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

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

6 **“Tax Credit Subsidy Bond”** means any Taxable Bond that is designated by the City as a
7 tax credit bond pursuant to the Code, and which is further designated as a “qualified bond” under
8 Section 6431 or similar provision of the Code, and with respect to which the City is eligible to
9 claim a Tax Credit Subsidy Payment.

10 **“Tax Credit Subsidy Payment”** means a payment by the federal government with respect
11 to a Tax Credit Subsidy Bond.

12 **“Tax-Exempt Bond”** means any Parity Bond, the interest on which is intended, as of the
13 Issue Date, to be excludable from gross income for federal income tax purposes.

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

16 **“Term Bond”** means any Parity Bond that is issued subject to mandatory redemption prior
17 to its maturity in Sinking Fund Requirements.

18 **“ULID”** means a utility local improvement district of the City created for the acquisition
19 or construction of additions to and betterments and extensions of the Drainage and Wastewater
20 System.

21 **“ULID Assessments”** means all assessments levied and collected in a ULID, if and only
22 if those assessments are pledged to be paid into the Parity Bond Account, in which case they shall
23 be included in Gross Revenue. ULID Assessments shall include all installments of principal,

1 payments of interest, and penalties and interest on delinquencies, but shall not include any prepaid
2 assessments paid into a construction fund or account.

3 **“Valuation Date”** means, with respect to any Capital Appreciation Bond, the date or dates,
4 determined as set forth in the Parity Bond Documents relating to the relevant series of Parity
5 Bonds, on which specific Accreted Values are assigned to that Capital Appreciation Bond.

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

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

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

3 Section 2. **Adoption of Plan of Additions.** The City specifies, adopts and orders the
4 Plan of Additions to be carried out as generally provided for in the documents comprising the Plan
5 of Additions. The estimated cost of the Plan of Additions, as near as may be determined, is declared
6 to be \$1,031,866,000, of which approximately \$210,000,000 is expected to be financed from
7 proceeds of the Bonds and investment earnings thereon.

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

9 (a) **The Bonds.** The City is authorized to issue Drainage and Wastewater System
10 revenue bonds, payable from the sources described in Section 13, in the maximum principal
11 amount stated in Section 5 to provide funds (a) to pay part of the cost of carrying out the Plan of
12 Additions; (b) to provide for the Reserve Requirement (if any); (c) to capitalize interest on (if
13 necessary) and pay the costs of issuance of the Bonds; and (d) for other Drainage and Wastewater
14 System purposes approved by ordinance. The Bonds may be issued in one or more Series and may
15 be combined with other Drainage and Wastewater System revenue bonds (including Refunding
16 Parity Bonds) authorized separately. The Bonds shall be designated Drainage and Wastewater
17 System Revenue Bonds and shall be numbered separately and shall have any name, year and series
18 or other label as deemed necessary or appropriate by the Director of Finance.

19 (b) **City Council Finding.** The City Council hereby finds that, in creating the Parity
20 Bond Account and in fixing the amounts to be paid into it in accordance with this ordinance and
21 the parameters for the Bond Sale Terms set forth in Section 5, the City Council has exercised due
22 regard for the cost of operation and maintenance of the Drainage and Wastewater System, and is
23 not setting aside into the Parity Bond Account a greater amount than in the judgment of the City

1 Council, based on the rates established from time to time consistent with Section 16(b), will be
2 sufficient, in the judgment of the City Council, to meet all expenses of operation and maintenance
3 of the Drainage and Wastewater System and to provide the amounts previously pledged for the
4 payment of all outstanding obligations payable out of Gross Revenues and pledged for the payment
5 of the Bonds. Therefore, the City Council hereby finds that the issuance and sale of the Bonds is
6 in the best interest of the City and in the public interest.

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

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

20 (a) **Designated Representative.** The Director of Finance is appointed to serve as the
21 City's designated representative in connection with the issuance and sale of the Bonds in
22 accordance with RCW 39.46.040(2) and this ordinance.

1 (b) **Parameters for Bond Sale Terms.** The Director of Finance is authorized to
2 approve, on behalf of the City, Bond Sale Terms for the sale of the Bonds in one or more Series,
3 and, in connection with each such sale, to execute a Bond Purchase Contract (or, in the case of a
4 competitive sale, a Pricing Certificate) confirming the Bond Sale Terms and such related
5 agreements as may be necessary or desirable, consistent with the following parameters:

6 (i) **Maximum Principal Amount.** The maximum aggregate principal amount
7 of all Series of the Bonds authorized by this ordinance is not to exceed \$210 million.

8 (ii) **Date or Dates.** Each Bond shall be dated its Issue Date, as determined by
9 the Director of Finance. The initial Issue Date (without restricting any reissuance date with respect
10 to a Series of Variable Interest Rate Bonds) may be no later than December 31, 2020.

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

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

22 (v) **Payment Dates.** Interest shall be payable on dates acceptable to the
23 Director of Finance. Principal shall be payable on dates acceptable to the Director of Finance,

1 which shall include payment at the maturity of each Bond, in accordance with any Sinking Fund
2 Requirements applicable to Term Bonds, and otherwise in accordance with any redemption or
3 tender provisions.

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

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

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

13 (B) **Mandatory Redemption.** The Director of Finance may designate
14 any Bond as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and
15 in principal payment amounts set forth in Sinking Fund Requirements, consistent with Section
16 8(b).

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

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

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

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

6 (A) **Expected Life of Capital Facilities.** As of the Issue Date of each
7 Series, the Director of Finance must additionally find to his or her satisfaction that the average
8 expected life of the capital facilities to be financed with the proceeds (or allocable share of
9 proceeds) of that Series must exceed the weighted average maturity of such Series (or share
10 thereof) allocated to financing those capital facilities.

11 (B) **Parity Conditions Satisfied.** As of the Issue Date of each Series,
12 the Director of Finance must find that the Parity Conditions have been met or otherwise satisfied,
13 so that such Series is permitted to be issued as Parity Bonds.

14 (C) **Additional Terms, Conditions, and Agreements.** The Bond Sale
15 Terms for any Series may provide for Bond Insurance, a Reserve Security, Qualified Letter of
16 Credit, credit enhancement, or for any other Payment Agreement as the Director of Finance may
17 find necessary or desirable. The Bond Sale Terms for any Series may provide for multiple interest
18 rate modes and may include provisions for conversion from any interest rate mode to any other
19 mode. To that end, the Bond Sale Terms may include such additional terms, conditions, and
20 covenants as may be necessary or desirable, including but not limited to: restrictions on investment
21 of Bond proceeds and pledged funds (including any escrow established for the defeasance of the
22 Bonds), provisions for the conversion of interest rate modes, provisions for the reimbursement of
23 a credit enhancement provider or Qualified Counterparty, and requirements to give notice to or

1 obtain the consent of a credit enhancement provider or a Qualified Counterparty. The Director of
2 Finance is authorized to execute, on behalf of the City, such additional certificates and agreements
3 as may be necessary or desirable to reflect such terms, conditions, and covenants.

4 (D) **Reserve Requirement.** The Bond Sale Terms must establish
5 whether the Series is to be treated as Covered Parity Bonds and must establish the method of
6 providing for the Reserve Requirement, consistent with Section 15.

7 (E) **Tax Status of the Bonds.** The Director of Finance may determine
8 that any Series of the Bonds may be designated or qualified as Tax-Exempt Bonds, Taxable Bonds
9 or Tax Credit Subsidy Bonds, consistent with Section 22.

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

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

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

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

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

7 Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized
8 Denomination of an equal aggregate principal amount and of the same Series, interest rate and
9 maturity. Bonds may be transferred only if endorsed in the manner provided thereon and
10 surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to an Owner or
11 transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the
12 period between the Record Date and the corresponding interest payment or principal redemption
13 date.

14 (c) **Securities Depository; Book-Entry Form.** Unless otherwise determined by the
15 Director of Finance, the Bonds initially shall be issued in Book-Entry Form and registered in the
16 name of the Securities Depository. The Bonds so registered shall be held fully immobilized in
17 Book-Entry Form by the Securities Depository in accordance with the provisions of the Letter of
18 Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation
19 to participants of the Securities Depository or the persons for whom they act as nominees with
20 respect to the Bonds regarding the accuracy of any records maintained by the Securities Depository
21 or its participants of any amount in respect of principal of or interest on the Bonds, or any notice
22 which is permitted or required to be given to Registered Owners hereunder (except such notice as
23 is required to be given by the Bond Registrar to the Securities Depository). Registered ownership

1 of a Bond initially held in Book-Entry Form, or any portion thereof, may not be transferred except:
2 (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed
3 by the City or such substitute Securities Depository's successor; or (iii) to any person if the Bond
4 is no longer held in Book-Entry Form.

5 Upon the resignation of the Securities Depository from its functions as depository, or upon
6 a determination by the Director of Finance to discontinue utilizing the then-current Securities
7 Depository, the Director of Finance may appoint a substitute Securities Depository. If the
8 Securities Depository resigns from its functions as depository and no substitute Securities
9 Depository can be obtained, or if the Director of Finance determines not to utilize a Securities
10 Depository, then the Bonds shall no longer be held in Book-Entry Form and ownership may be
11 transferred only as provided herein.

12 Nothing herein shall prevent the Bond Sale Terms from providing that a Series of the Bonds
13 shall be issued in certificated form without utilizing a Securities Depository, and that the Bonds of
14 such Series shall be registered as of their Issue Date in the names of the Owners thereof, in which
15 case ownership may be transferred only as provided herein.

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

1 Section 7. **Payment of Bonds.**

2 (a) **Payment.** Each Bond shall be payable in lawful money of the United States of
3 America on the dates and in the amounts as provided in the Bond Documents applicable to that
4 Series. Principal of and interest on each Bond issued as a Parity Bond shall be payable solely out
5 of the Parity Bond Account and shall not be a general obligation of the City. No Bonds of any
6 Series shall be subject to acceleration under any circumstances.

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

9 (c) **Bonds Not Held In Book-Entry Form.** Interest on each Bond not held in Book-
10 Entry Form shall be payable by electronic transfer on the interest payment date, or by check or
11 draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the
12 address appearing on the Bond Register on the Record Date. The City, however, is not required to
13 make electronic transfers except pursuant to a request by a Registered Owner in writing received
14 at least ten days prior to the Record Date and at the sole expense of the Registered Owner. Principal
15 of each Bond not held in Book-Entry Form shall be payable upon presentation and surrender of
16 the Bond by the Registered Owner to the Bond Registrar.

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

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

21 (b) **Mandatory Redemption.** All or some of the Bonds of any Series may be
22 designated as Term Bonds, subject to mandatory redemption in Sinking Fund Requirements, as set
23 forth in the applicable Bond Documents. If not redeemed or purchased at the City's option prior

1 to maturity, Term Bonds (if any) must be redeemed, at a price equal to 100% of the principal
2 amount to be redeemed plus accrued interest, on the dates and in the years and Sinking Fund
3 Requirements as set forth in the applicable Bond Documents. If the City optionally redeems or
4 purchases a Term Bond prior to maturity, the principal amount of that Term Bond that is so
5 redeemed or purchased (irrespective of its redemption or purchase price) shall be credited against
6 the remaining Sinking Fund Requirements for that Term Bond in the manner as directed by the
7 Director of Finance. In the absence of direction by the Director of Finance, credit shall be allocated
8 to the remaining Sinking Fund Requirements for that Term Bond on a *pro rata* basis.

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

13 (d) **Selection of Bonds for Redemption; Partial Redemption.** If fewer than all of the
14 outstanding Bonds are to be redeemed at the option of the City, the Director of Finance shall select
15 the Series and maturity or maturities to be redeemed. If less than all of the principal amount of a
16 maturity of the selected Series is to be redeemed, if such Series is held in Book-Entry Form, the
17 portion of such maturity to be redeemed shall be selected for redemption by the Securities
18 Depository in accordance with the Letter of Representations, and if the Series is not then held in
19 Book-Entry Form, the portion of such maturity to be redeemed shall be selected by the Bond
20 Registrar randomly in such manner as the Bond Registrar shall determine. All or a portion of the
21 principal amount of any Bond that is to be redeemed may be redeemed in any applicable
22 Authorized Denomination. If less than all of the outstanding principal amount of any Bond is
23 redeemed, upon surrender of that Bond to the Bond Registrar there shall be issued to the Registered

1 Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same
2 Series, maturity, and interest rate in any Authorized Denomination in the aggregate principal
3 amount to remain outstanding.

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

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

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

21 Section 10. **Failure to Pay Bonds.** If any Bond is not paid when properly presented at
22 its maturity or redemption date, the City shall be obligated to pay, solely from the Parity Bond
23 Account and the other sources pledged in this ordinance, interest on that Bond at the same rate

1 provided on that Bond from and after its maturity or redemption date until that Bond, principal,
2 premium, if any, and interest, is paid in full or until sufficient money for its payment in full is on
3 deposit in the Parity Bond Account and that Bond has been called for payment by giving notice of
4 that call to the Registered Owner of that Bond.

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

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

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

1 person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign
2 bonds, although he or she did not hold the required office on the date of issuance of that Series of
3 the Bonds.

4 Section 12. **Construction Account; Deposit of Proceeds.** An account to be known as
5 the Drainage and Wastewater Construction Subaccount, 2018 is created in the Drainage and
6 Wastewater Construction Account within the Drainage and Wastewater Fund. After depositing
7 accrued interest (if any) into the Principal and Interest Subaccount and depositing amounts
8 necessary to provide for the Reserve Requirement (if any) into the Reserve Subaccount, the
9 remaining principal proceeds of the sale of a Series of the Bonds shall be deposited into the
10 Construction Account (or such other fund or account as may be directed by the Director of Finance)
11 to be used (a) to pay part of the costs of carrying out the Plan of Additions, and (b) to pay
12 capitalized interest on (if necessary) and the costs of issuance of the Series. Until needed to pay
13 such costs, the City may invest principal proceeds and interest thereon temporarily in any
14 Permitted Investments, and the investment earnings may, as determined by the Director of Finance,
15 be either (a) retained in the Construction Account to be spent for the purposes of that account, or
16 (b) deposited in the Parity Bond Account.

17 Section 13. **Security for the Bonds; Parity with Outstanding Parity Bonds.** The
18 Bonds shall be special limited obligations of the City payable from and secured solely by the Net
19 Revenue (including all ULID Assessments, if any) and money in the Parity Bond Account and the
20 subaccounts therein, *except that from and after the date on which the 2008 Bonds, 2009A Bonds,*
21 *2009B Bonds, 2012 Bonds, 2014 Bonds, and 2016 Bonds have been redeemed or defeased,*
22 *money in the Reserve Subaccount shall secure only Covered Parity Bonds.* The Net Revenue
23 (including all ULID Assessments, if any) is pledged to make the payments into the Parity Bond

1 Account required by this ordinance. This pledge constitutes a charge and lien upon such Net
2 Revenue prior and superior to all other liens and charges whatsoever.

3 The Bonds shall be issued on parity with the Outstanding Parity Bonds and all Future Parity
4 Bonds, without regard to date of issuance or authorization and without preference or priority of
5 right or lien. Nothing in this ordinance prevents the City from issuing revenue bonds or other
6 obligations which are a charge or lien upon Net Revenue subordinate to the payments required to
7 be made from Net Revenue into the Parity Bond Account and the subaccounts therein. The City
8 covenants that, for as long as any Bond is outstanding, it will not issue any other revenue
9 obligations (or create any special fund or account therefor), which will have any priority over or
10 which will rank on a parity with the payments required in respect of the Parity Bonds, and that it
11 will issue Future Parity Bonds only accordance with Section 17.

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

16 Section 14. **Priority Expenditure of Gross Revenue; Flow of Funds.** Gross Revenue
17 shall be deposited as received in the Drainage and Wastewater Fund and used for the following
18 purposes only, in the following order of priority:

19 (a) To pay the Operating and Maintenance Expense;

20 (b) To make all payments into the Principal and Interest Subaccount required to be
21 made in order to pay the interest on and principal of all Parity Bonds (including all net payments
22 under Parity Payment Agreements) when due;

1 (c) To make all payments required to be made into the Reserve Subaccount with
2 respect to Parity Bonds secured by the Reserve Subaccount;

3 (d) To make all payments required to be made into any revenue bond, note, warrant or
4 other revenue obligation redemption fund, debt service account, or reserve account created to pay
5 and secure the payment of the principal of and interest on any revenue bonds or short-term
6 obligations of the City having a charge and lien upon Net Revenue subordinate to the lien thereon
7 for the payment of the principal of and interest on the Parity Bonds; and

8 (e) Without priority, to any of the following purposes: to retire by redemption or
9 purchase any outstanding revenue bonds or revenue obligations of the Drainage and Wastewater
10 System; to make necessary additions, betterments, improvements, repairs, extensions, and
11 replacements of the Drainage and Wastewater System; to pay City taxes or other payments in lieu
12 of taxes payable from Gross Revenue; to make deposits to the Rate Stabilization Account; or for
13 any other lawful purpose of the Drainage and Wastewater System.

14 Section 15. **Parity Bond Account.** A special account of the City known as the Parity
15 Bond Account has been previously created and shall be maintained as a separate account within
16 the Drainage and Wastewater Fund, for the sole purpose of paying the principal of and premium,
17 if any, and interest on the Parity Bonds as the same shall become due. The Parity Bond Account
18 consists of the Principal and Interest Subaccount and the Reserve Subaccount, and may
19 additionally include such subaccounts as the Director of Finance may deem necessary, so long as
20 the maintenance of such subaccounts does not conflict with the rights of the owners of Parity
21 Bonds. Principal of, premium (if any) and interest on the Parity Bonds shall be payable out of the
22 Parity Bond Account.

1 (a) **Required Payments Into the Parity Bond Account.** So long as any Parity Bonds
2 are outstanding (including amounts required under any Parity Payment Agreement), the City shall
3 set aside and pay into the Parity Bond Account all ULID Assessments on their collection and, out
4 of Net Revenue, certain fixed amounts without regard to any fixed proportion, namely:

5 (i) Into the Principal and Interest Subaccount on or before each date on which
6 interest on or principal of Parity Bonds (including Sinking Fund Requirements and net payments
7 under any Parity Payment Agreements) shall become due and payable, an amount that will be
8 sufficient, together with other money on deposit therein, to pay such principal, interest, Sinking
9 Fund Requirements, and net payments then due on Parity Payment Agreements as the same shall
10 become due; and

11 (ii) Into the Reserve Subaccount an amount necessary to provide for the
12 Reserve Requirement within the time and in the manner required by this ordinance and the Bond
13 Sale Terms. The amount necessary, if any, to satisfy the Reserve Requirement upon the issuance
14 of a Series of the Bonds may be funded (A) on the Issue Date, by a deposit of bond sale proceeds,
15 available funds of the Drainage and Wastewater System, or a Reserve Security; or (B) in annual
16 installments from Net Revenue so that the Reserve Requirement is fully funded by no later than
17 the fifth anniversary of the Issue Date of such Series. The manner of funding the Reserve
18 Requirement for the Bonds shall be set forth in the Bond Sale Terms.

19 To meet the required payments to be made into the Parity Bond Account, the Director of
20 Finance may transfer any money from any funds or accounts of the City legally available therefor,
21 except bond redemption funds, refunding escrow funds or defeasance funds. The Director of
22 Finance may provide for the purchase, redemption or defeasance of any Parity Bonds by the use
23 of money on deposit in any subaccount in the Parity Bond Account as long as the money remaining

1 in those subaccounts is sufficient to satisfy the required deposits in those subaccounts for the
2 remaining Parity Bonds.

3 (b) **Reserve Subaccount.** The Reserve Subaccount previously has been created and
4 maintained as a subaccount within the Parity Bond Account for the purpose of securing the
5 payment of the principal of and interest on all Parity Bonds outstanding (including amounts due
6 under any Parity Payment Agreements if required under such agreement). The City covenants that
7 it will at all times, so long as any Covered Parity Bonds are outstanding, maintain the Reserve
8 Subaccount at the Reserve Requirement (taking into account scheduled payments to fund the
9 Reserve Requirement over time), as it is adjusted from time to time, except for withdrawals as
10 authorized by this ordinance. Any withdrawals authorized below from subaccounts within the
11 Reserve Subaccount shall be made on a *pro rata* basis except if the provider of a Reserve Security
12 requires all cash and investments in the Reserve Subaccount to be withdrawn before draws on the
13 Reserve Security, or unless the City receives an opinion of Bond Counsel to the effect that such
14 *pro rata* withdrawal is not required to maintain the exclusion of interest on the Parity Bonds then
15 outstanding from gross income for federal income tax purposes.

16 (i) **Use of Reserve Subaccount for Payment of Debt Service.** In the event of
17 a deficiency in the Principal and Interest Subaccount to meet current installments of either principal
18 (including Sinking Fund Requirements) or interest (including amounts payable under any Parity
19 Payment Agreement), the Director of Finance may make withdrawals of money or proceeds of
20 Reserve Security in the Reserve Subaccount. *From and after the redemption or defeasance of the*
21 *2008 Bonds, 2009A Bonds, 2009B Bonds, 2012 Bonds, 2014 Bonds, and 2016 Bonds, the*
22 *withdrawals authorized by this paragraph shall be limited to the amounts necessary to meet*
23 *current installments of either principal (or Sinking Fund Requirements) or interest with respect*

1 **to Covered Parity Bonds.** Any deficiency created in the Reserve Subaccount by reason of any such
2 withdrawal or claim against a Reserve Security shall then be made up from the ULID Assessments
3 and Net Revenue first available after making necessary provisions for the required payments into
4 the Principal and Interest Subaccount.

5 (ii) **Application of Funds in Reserve Account.** The money in the Reserve
6 Subaccount may be applied to the payment of the last outstanding Covered Parity Bonds, and when
7 the total amount in the Parity Bond Account (including investment earnings) equals the total
8 amount of principal and interest for all then-outstanding Covered Parity Bonds to the last maturity
9 thereof, no further payment need be made into the Parity Bond Account in respect of the Covered
10 Parity Bonds. Money in the Reserve Subaccount (including investment earnings) in excess of the
11 Reserve Requirement may be withdrawn and deposited in the Principal and Interest Subaccount
12 and spent for the purpose of retiring Covered Parity Bonds or may be deposited in any other fund
13 or account and spent for any other lawful Drainage and Wastewater System purpose.

14 (c) **Investment of Money in Parity Bond Account.** All money in the Parity Bond
15 Account may be kept in cash or invested in Permitted Investments maturing not later than the date
16 when needed (for investments in the Principal and Interest Subaccount) or the last maturity of any
17 outstanding Parity Bonds (for investments in the Reserve Subaccount). In no event shall any
18 money in the Parity Bond Account or any other money reasonably expected to be used to pay
19 principal of and/or interest on the Parity Bonds be invested at a yield which would cause any Series
20 issued as Tax-Exempt Bonds or Tax Credit Subsidy Bonds to be arbitrage bonds within the
21 meaning of Section 148 of the Code. Income from investments in the Principal and Interest
22 Subaccount shall be deposited in that subaccount. Income from investments in the Reserve
23 Subaccount shall be deposited in that subaccount until the amount therein is equal to the Reserve

1 Requirement for all Parity Bonds, and thereafter shall be deposited in the Principal and Interest
2 Subaccount. Notwithstanding the provisions for deposit or retention of earnings in the Parity Bond
3 Account, any earnings which are subject to a federal tax or rebate requirement may be withdrawn
4 from the Parity Bond Account for deposit in a separate fund or account for that purpose. If no
5 longer required for such rebate, money in that separate fund or account shall be returned to the
6 Parity Bond Account.

7 (d) **Failure to Deposit Money in Parity Bond Account.** If the City fails to set aside
8 and pay into the Parity Bond Account, or the subaccounts therein, the amounts set forth above, the
9 registered owner of any of the outstanding Parity Bonds may bring action against the City for
10 failure to make the required deposits to the Parity Bond Account only in accordance with Section
11 25 regarding Events of Default.

12 Section 16. **Parity Bond Covenants.** The City covenants with the Owner of each Bond
13 at any time outstanding, as follows:

14 (a) **Operation and Maintenance of the Drainage and Wastewater System.** The City
15 will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City
16 under this ordinance. It will at all times maintain and keep the Drainage and Wastewater System
17 in good repair, working order and condition, will make all necessary and proper additions,
18 betterments, renewals and repairs thereto, and improvements, replacements and extensions thereof
19 so that at all times the business carried on in connection therewith will be properly and
20 advantageously conducted, and will at all times operate or cause to be operated the Drainage and
21 Wastewater System and the business in connection therewith in an efficient manner and at a
22 reasonable cost.

1 (b) **Establishment and Collection of Rates and Charges.** The City will establish,
2 maintain, revise as necessary, and collect rates and charges for services and facilities provided by
3 the Drainage and Wastewater System so that Adjusted Net Revenue in each fiscal year will be at
4 least equal to the Coverage Requirement. The failure of the City to comply with this subsection
5 shall not be an Event of Default if the City promptly retains an Independent Utility Consultant to
6 recommend to the City Council adjustments in the rates of the Drainage and Wastewater System
7 necessary to meet the requirements of this subsection and if the City Council adopts the
8 recommended modifications within 180 days of the date the failure became known to the City
9 Council.

10 (c) **Sale or Disposition of Drainage and Wastewater System.** The City will not sell,
11 lease, mortgage, or in any manner encumber or dispose of all of the property of the Drainage and
12 Wastewater System unless provision is made for the payment into the Parity Bond Account of an
13 amount sufficient to pay the principal of (including redemption premium, if any) and interest on
14 Parity Bonds then outstanding; and it will not sell, lease, mortgage, or in any manner encumber or
15 dispose of (each a “transfer”) any part of the property of the Drainage and Wastewater System that
16 is used, useful and material to the operation thereof, except consistent with one or more of the
17 following:

18 (i) If provision is made for replacement thereof, or for payment into the Parity
19 Bond Account of the total amount of Gross Revenue received from the portion of the Drainage
20 and Wastewater System transferred, which shall not be less than an amount which shall bear the
21 same ratio to the amount of Parity Bonds then outstanding as the Gross Revenue available for debt
22 service for such outstanding bonds for the 12 months preceding such transfer from the portion of
23 the Drainage and Wastewater System so transferred bears to the Gross Revenue available for debt

1 service for the then outstanding Parity Bonds from the entire Drainage and Wastewater System of
2 the City for the same period. Any such money so paid into the Parity Bond Account shall be used
3 to retire such Parity Bonds at the earliest possible date; or

4 (ii) If the aggregate depreciated cost value of the property being transferred
5 under this subsection in any fiscal year comprises no more than 5% of the total assets of the
6 Drainage and Wastewater System; or

7 (iii) If the proceeds from such transfer are used to acquire new useful operating
8 facilities or properties of the Drainage and Wastewater System, or are used to retire outstanding
9 Parity Bonds or other revenue obligations of the Drainage and Wastewater System, and if, at the
10 time of such transfer, the City has on file a certificate of both the Director of Finance and the
11 Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the
12 responsibilities of either office) demonstrating that in their opinion, upon such transfer and the use
13 of proceeds of the transfer as proposed by the City, the remaining facilities of the Drainage and
14 Wastewater System will retain their operational integrity and, based on the financial statements
15 for the most recent fiscal year available, the proposed transfer would not prevent the Drainage and
16 Wastewater System from complying with the Coverage Requirement during the five fiscal years
17 following the fiscal year in which the transfer is to occur. The certificate shall take into account
18 (A) the reduction in revenue and expenses, if any, resulting from the transfer; (B) the use of any
19 proceeds of the transfer for the redemption of Parity Bonds; (C) the estimate of revenue from
20 customers anticipated to be served by any additions to and betterments and extensions of the
21 Drainage and Wastewater System financed in part by the proposed portion of the proceeds of the
22 transfer; and (D) any other adjustment permitted in the preparation of a certificate under
23 Section 17(b). Before such a transfer, the City also must obtain confirmation from each of the

1 Rating Agencies to the effect that the rating then in effect will not be reduced or withdrawn upon
2 such transfer.

3 (d) **Books and Records.** The City will keep proper and separate accounts and records
4 in which complete and separate entries shall be made of all transactions relating to the Drainage
5 and Wastewater System, and it will furnish the Registered Owner(s) of the Bonds or any
6 subsequent Registered Owner(s) thereof, at the written request of such Registered Owner(s),
7 complete operating and income statements of the Drainage and Wastewater System in reasonable
8 detail covering any fiscal year not more than six months after the close of such fiscal year, and it
9 will grant any Registered Owner(s) of at least 25% of the outstanding Bonds the right at all
10 reasonable times to inspect the entire Drainage and Wastewater System and all records, accounts
11 and data of the City relating thereto. Upon request of any Registered Owner of any of the Bonds,
12 it also will furnish to such Registered Owner a copy of the most recently completed audit of the
13 Drainage and Wastewater System's accounts by the State Auditor.

14 Section 17. **Future Parity Bonds.**

15 (a) **Issuance of Future Parity Bonds.** The City reserves the right to issue Future Parity
16 Bonds and to enter into Parity Payment Agreements for any lawful purpose of the Drainage and
17 Wastewater System (including for the purpose of refunding a portion of the then-outstanding Parity
18 Bonds) only if, at the time of the issuance of such series of Future Parity Bonds (or upon the
19 effective date of the Parity Payment Agreement), the following conditions are satisfied:

20 (i) There must be no deficiency in the Parity Bond Account, and no Event of
21 Default with respect to any Parity Bonds shall have occurred and be continuing.

22 (ii) The Bond Documents must provide that all ULID Assessments shall be paid
23 directly into the Parity Bond Account.

1 (iii) The Bond Documents must provide for the payment of the principal thereof
2 and the interest thereon out of the Parity Bond Account.

3 (iv) The Bond Documents must provide for the payment of any Sinking Fund
4 Requirements from money in the Principal and Interest Subaccount.

5 (v) For each series of Future Parity Bonds that is to be issued as a series of
6 Covered Parity Bonds, the Bond Documents must provide for the deposit into the Reserve
7 Subaccount of an amount, if any, necessary to fund the Reserve Requirement upon the issuance of
8 those Future Parity Bonds (if any), which requirement may be satisfied: (A) by a deposit, made on
9 the Issue Date of such series, of proceeds of that series of Future Parity Bonds or other money
10 legally available for such purpose; (B) by obtaining one or more Reserve Securities (or a deposit
11 of cash plus Reserve Securities) available to be drawn upon in specific amounts to be paid into the
12 Reserve Subaccount and credited against the deposits required to be maintained in the Reserve
13 Subaccount; or (C) by a deposit of amounts necessary to fund the Reserve Requirement from ULID
14 Assessments and Net Revenue within five years from the date of issuance of those Future Parity
15 Bonds, in five approximately equal annual payments. Immediately prior to the issuance of Future
16 Parity Bonds, amounts then deposited in the Reserve Subaccount shall be valued as determined on
17 the most recent annual financial report of the City applicable to the Drainage and Wastewater
18 System, and the additional amounts, if any, required to be deposited into the Reserve Subaccount
19 to satisfy the Reserve Requirement shall be based on that valuation.

20 (vi) There must be on file with the City a Parity Certificate as described in
21 subsection (b). However, if the proposed Future Parity Bonds (or any portion thereof) are to be
22 issued for the purpose of refunding outstanding Parity Bonds (referred to as the “Refunding Parity
23 Bonds”), no Parity Certificate shall be required as to that portion issued for refunding purposes if

1 the Director of Finance finds and certifies that the Adjusted Annual Debt Service on the refunding
2 portion of the proposed Refunding Parity Bonds is not more than \$5,000 greater than the Adjusted
3 Annual Debt Service on the Parity Bonds to be refunded thereby. Alternatively, Refunding Parity
4 Bonds may be issued upon delivery of a Parity Certificate.

5 (b) **Parity Certificate.** A Parity Certificate required under subsection (a)(vi) may be
6 provided as follows:

7 (i) A certificate may be prepared and signed by the Director of Finance,
8 demonstrating that during any 12 consecutive calendar months out of the immediately preceding
9 24 calendar months Adjusted Net Revenue was at least equal to the Coverage Requirement for all
10 Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt
11 service of the proposed Future Parity Bonds for that 12-month period was the Average Annual
12 Debt Service for those proposed Future Parity Bonds); or

13 (ii) A certificate may be prepared and signed by both the Director of Finance
14 and the Director of Seattle Public Utilities (or any officer who succeeds to substantially all of the
15 responsibilities of either office), demonstrating that, in their opinion, Adjusted Net Revenue for
16 the five fiscal years next following the earlier of (A) the end of the period during which interest on
17 those Future Parity Bonds is to be capitalized or, if no interest is capitalized, the fiscal year in
18 which the Future Parity Bonds are issued, or (B) the date on which substantially all the new
19 facilities financed with those Future Parity Bonds are expected to commence operations, such
20 Adjusted Net Revenue, further adjusted as provided in paragraphs (1) through (4) below, will be
21 at least equal to the Coverage Requirement. That certificate may take into account the following
22 adjustments:

1 (1) Any changes in rates in effect and being charged, or rates expected
2 to be charged in accordance with a program of specific rates, rate levels or increases in overall rate
3 revenue approved by ordinance or resolution;

4 (2) Net revenue from customers of the Drainage and Wastewater
5 System who have become customers during the 12-consecutive-month period or thereafter, and
6 their estimate of net revenue from any customers to be connected to the Drainage and Wastewater
7 System who have paid the required connection charges, adjusted to reflect one year's net revenue
8 from those customers;

9 (3) Their estimate of net revenue from customers anticipated to be
10 served by facilities or improvements financed in substantial part by those Future Parity Bonds (or
11 additional Parity Bonds expected to be issued during the five-year period); and

12 (4) Net revenue from any person, firm, corporation or municipal
13 corporation under any executed contract for drainage and wastewater or other utility service, which
14 revenue was not included in historical Net Revenue of the Drainage and Wastewater System.

15 (c) **Other Provisions.** Nothing contained herein shall prevent the City from issuing
16 Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not
17 otherwise available, or revenue bonds that are a charge or lien upon Net Revenue subordinate to
18 the charge or lien of the Parity Bonds, or from pledging to pay Net Revenue and/or assessments
19 levied for ULID improvements constructed from the proceeds of subordinate lien bonds into a
20 bond redemption fund created for the payment of the principal of and interest on subordinate lien
21 bonds.

22 (d) **Effect of Issuance of Future Parity Bonds.** If the Parity Conditions are met and
23 complied with at the time of the issuance of such Future Parity Bonds, then payments into the

1 Parity Bond Fund with respect to such Future Parity Bonds shall rank equally with the payments
2 out of the Net Revenue required to be made into the Parity Bond Fund by this ordinance. Nothing
3 set forth herein shall prevent the City from (i) issuing revenue bonds or other obligations that are
4 a charge upon the Net Revenue junior and inferior to the payments required to be made therefrom
5 into the Parity Bond Fund for the payment of the Parity Bonds, provided that such subordinate
6 bonds may not be subject to acceleration under any circumstances; or (ii) issuing Refunding Parity
7 Bonds for the purpose of refunding Outstanding Parity Bonds, upon compliance with the Parity
8 Conditions set forth in this section.

9 (e) **Reserve Requirement.** Notwithstanding anything in this section to the contrary, in
10 the Bond Sale Terms relating to the issuance or sale of a series of Future Parity Bonds, the City
11 may elect that, *from and after the redemption or defeasance of the 2008 Bonds, 2009A Bonds,*
12 *2009B Bonds, 2012 Bonds, 2014 Bonds, and 2016 Bonds,* such series shall not be deemed to be
13 a series of Covered Parity Bonds, shall not be secured by the amounts in the Reserve Account, and
14 shall be excluded from the calculation of the Reserve Requirement.

15 Section 18. **Rate Stabilization Account.** The Rate Stabilization Account has been
16 created as a separate account in the Drainage and Wastewater Fund. The City may at any time, as
17 determined by the Director of Finance and consistent with the flow of funds set forth in Section 14,
18 deposit in the Rate Stabilization Account Gross Revenue and any other money received by the
19 Drainage and Wastewater System and available for this purpose. The Director of Finance may,
20 upon authorization by the City Council, withdraw any or all of the money in the Rate Stabilization
21 Account for inclusion in Adjusted Gross Revenue for any fiscal year of the City. Such deposits or
22 withdrawals may be made up to and including the date 90 days after the end of the fiscal year for
23 which the deposit or withdrawal will be included as Adjusted Gross Revenue. No deposit of Gross

1 Revenue may be made into the Rate Stabilization Account to the extent that such deposit would
2 prevent the City from meeting the Coverage Requirement in the relevant fiscal year.

3 Section 19. **Separate Utility Systems.** The City may create, acquire, construct, finance,
4 own and operate one or more additional systems for drainage and wastewater service or other
5 commodity or service relating to the Drainage and Wastewater System. The revenue of that
6 separate utility system shall not be included in Gross Revenue and may be pledged to the payment
7 of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the
8 separate utility system. Neither Gross Revenue nor Net Revenue shall be pledged by the City to
9 the payment of any obligations of a separate utility system except (a) as a Contract Resource
10 Obligation, upon compliance with Section 20, or (b) with respect to the Net Revenue, on a basis
11 subordinate to the lien of the Parity Bonds on that Net Revenue.

12 Section 20. **Contract Resource Obligations.** The City may at any time enter into one
13 or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of
14 drainage and wastewater services or other commodity or service relating to the Drainage and
15 Wastewater System, as follows:

16 (a) The City may determine that, and may agree under a Contract Resource Obligation
17 to provide that, all payments under that Contract Resource Obligation (including payments prior
18 to the time that drainage and wastewater services or other commodity or service is being provided,
19 or during a suspension or after termination of supply or service) shall be an Operating and
20 Maintenance Expense if the following requirements are met at the time such a Contract Resource
21 Obligation is entered into:

22 (i) No Event of Default has occurred and is continuing; and

1 (ii) There shall be on file a certificate of an Independent Utility Consultant
2 stating that (A) the payments to be made by the City in connection with the Contract Resource
3 Obligation are reasonable for the commodity or service rendered; (B) any facilities to be
4 constructed to provide the commodity or service are sound from a drainage and wastewater
5 services or other commodity or service planning standpoint, are technically and economically
6 feasible in accordance with prudent utility practice, and are likely to provide such commodity or
7 service no later than a date set forth in the Independent Utility Consultant's certification; and
8 (C) Adjusted Net Revenue (further adjusted by the Independent Utility Consultant's estimate of
9 the payments to be made in accordance with the Contract Resource Obligation) for the five fiscal
10 years following the year in which the Contract Resource Obligation is incurred, as such Adjusted
11 Net Revenue is estimated by the Independent Utility Consultant in accordance with the provisions
12 of and adjustments permitted in Section 17(b), will be at least equal to the Coverage Requirement.

13 (b) Payments required to be made under Contract Resource Obligations shall not be
14 subject to acceleration.

15 (c) Nothing in this section shall be deemed to prevent the City from entering into other
16 agreements for the acquisition of drainage and wastewater services or other commodity or service
17 from existing facilities and from treating those payments as an Operating and Maintenance
18 Expense. Nothing in this section shall be deemed to prevent the City from entering into other
19 agreements for the acquisition of drainage and wastewater services or other commodity or service
20 from facilities to be constructed and from agreeing to make payments with respect thereto, such
21 payments constituting a charge and lien on Net Revenue subordinate to that of the Parity Bonds.

1 Section 21. **Refunding and Defeasance of the Bonds.**

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

4 (b) **Refunding; Defeasance.** The City may issue Refunding Parity Bonds pursuant to
5 the laws of the State or use money available from any other lawful source (i) to pay when due the
6 principal of (including premium, if any) and interest on any Bond, or any portion thereof, included
7 in a refunding or defeasance plan (the “Defeased Bonds”); (ii) to redeem and retire, release, refund,
8 or defease the Defeased Bonds; and (iii) to pay the costs of such refunding or defeasance. If money
9 and/or Government Obligations maturing at a time or times and in an amount sufficient (together
10 with known earned income from the investment thereof) to redeem and retire, release, refund, or
11 defease the Defeased Bonds in accordance with their terms is set aside in a special trust fund or
12 escrow account irrevocably pledged to such redemption, retirement, or defeasance (the “Trust
13 Account”), then all right and interest of the Owners of the Defeased Bonds in the covenants of this
14 ordinance and in Net Revenue and the funds and accounts pledged to the payment of such Defeased
15 Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and
16 become void. Such Owners thereafter shall have the right to receive payment of the principal of
17 and interest or redemption price on the Defeased Bonds from the Trust Account. After establishing
18 and fully funding such a Trust Account, the Defeased Bonds shall be deemed to be no longer
19 outstanding, and the Director of Finance may then apply any money in any other fund or account
20 established for the payment or redemption of the Defeased Bonds to any lawful purpose.

21 (c) **Notice of Defeasance or Refunding.** Unless otherwise specified in the Bond
22 Documents, notice of refunding or defeasance shall be given, and selection of Bonds for any partial

1 refunding or defeasance shall be conducted, in the manner set forth in this ordinance for the
2 redemption of Bonds.

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

11 Section 22. **Provisions Relating to Federal Tax Issues.** The Bond Documents may
12 include such additional terms and covenants relating to federal tax matters as the Director of
13 Finance deems necessary or appropriate, including the following:

14 (a) **Tax-Exempt Bonds.** For each Series of the Bonds issued as Tax-Exempt Bonds,
15 the City covenants that it will take all actions, consistent with the terms of such Series as set forth
16 in the applicable Bond Documents that are reasonably within its power and necessary to prevent
17 interest on that Series from being included in gross income for federal income tax purposes. The
18 City further covenants that it will neither take any action nor make or permit any use of gross
19 proceeds of that Series (or other funds of the City treated as gross proceeds of that Series) at any
20 time during the term of such Series that will cause interest on such Series to be included in gross
21 income for federal income tax purposes. The City also covenants that, to the extent the arbitrage
22 rebate requirement of Section 148 of the Code is applicable to any Series issued as Tax-Exempt
23 Bonds, it will take all actions necessary to comply (or to be treated as having complied) with that

1 requirement in connection with that Series (including the calculation and payment of any penalties
2 that the City may elect to pay as an alternative to calculating rebatable arbitrage and the payment
3 of any other penalties if required under Section 148 of the Code) to prevent interest on such Series
4 from being included in gross income for federal income tax purposes.

5 (b) **Taxable Bonds; Tax Credit Subsidy Bonds.** For each Series of the Bonds issued
6 as Taxable Bonds or as Tax Credit Subsidy Bonds, the Director of Finance is authorized to make
7 provision in the Bonds and other Bond Documents, to execute additional written agreements, and
8 to make additional covenants on behalf of the City, all as he or she may deem necessary or
9 appropriate in order to obtain, maintain, and administer such tax status. In the case of Tax Credit
10 Subsidy Bonds, such additional covenants and agreement may include (without limiting the
11 generality of the foregoing) those necessary in order for the City (i) to receive from the United
12 States Treasury the applicable Tax Credit Subsidy Payments in respect of such Tax Credit Subsidy
13 Bonds, and (ii) to ensure that such Series otherwise become and remain eligible for tax benefits
14 under the Code.

15 Section 23. **Official Statement; Continuing Disclosure.**

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

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

7 (c) **Undertaking to Provide Continuing Disclosure.** To meet the requirements of
8 paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for a Series of the
9 Bonds, the Director of Finance is authorized to execute a written Continuing Disclosure
10 Agreement with respect to that Series, in substantially the form attached as Exhibit B.

11 Section 24. **Supplemental or Amendatory Bond Documents.** This ordinance and the
12 other applicable Bond Documents for any particular Series of the Bonds may not be supplemented
13 or amended in any respect subsequent to the Issue Date of such Series, except in accordance with
14 and subject to the provisions of this section.

15 (a) **Amendments Without Bond Owner Consent.** From time to time and at any time,
16 without the consent of or notice to any owners of Parity Bonds, the City may supplement or amend
17 the Bond Documents applicable to any Series of the Bonds for any of the purposes set forth in this
18 subsection (a). Any such supplement or amendment may be passed, adopted, or otherwise
19 approved by the City, without requiring the consent of the registered owners of any Parity Bonds,
20 but may become effective only upon receipt by the City of an opinion of Bond Counsel stating that
21 such supplement or amendment is authorized or permitted by this ordinance and, upon the effective
22 date thereof, will be valid and binding upon the City in accordance with its terms, and will not
23 adversely affect the exclusion from gross income for federal income tax purposes of interest on

1 the affected Series of the Bonds, if such Series was issued and sold as Tax-Exempt Bonds. The
2 types of supplements and amendments permitted under this subsection (a) are as follows:

3 (i) To cure any formal defect, omission, inconsistency, or ambiguity in the
4 Bond Documents for such Series in a manner not adverse to the owners of any Parity Bonds;

5 (ii) To impose upon the Bond Registrar (with its consent) for the benefit of the
6 owners of Parity Bonds any additional rights, remedies, powers, authority, security, liabilities, or
7 duties which may lawfully be granted, conferred, or imposed and which are not contrary to or
8 inconsistent with such Bond Documents as theretofore in effect;

9 (iii) To add to the covenants and agreements of, and limitations and restrictions
10 upon, the City in the Bond Documents, other covenants, agreements, limitations and restrictions
11 to be observed by the City which are not contrary to or inconsistent with such Bond Documents as
12 theretofore in effect;

13 (iv) To confirm, as further assurance, any pledge under (and the subjection to
14 any claim, lien, or pledge created or to be created by) such Bond Documents on any other money,
15 securities, or funds;

16 (v) To alter the Authorized Denominations of a Series of the Bonds and to make
17 correlative amendments and modifications to the applicable Bond Documents regarding (A)
18 exchangeability of such Bonds for Bonds of different authorized denominations, (B) redemptions
19 of portions of Bonds of particular authorized denominations, and (C) similar amendments and
20 modifications of a technical nature;

21 (vi) To comply with any future federal law or interpretation to preserve the
22 exclusion of the interest on any Series of the Bonds issued and sold as Tax-Exempt Bonds from
23 gross income for federal income tax purposes and the entitlement of the City to receive from the

1 United States Treasury the applicable Tax Credit Subsidy Payments in respect of any Series of the
2 Bonds issued and sold as Tax Credit Subsidy Bonds;

3 (vii) To modify, alter, amend or supplement the Bond Documents in any other
4 respect which is not materially adverse to the owners of the Parity Bonds and which does not
5 involve a change described in subsection (c) of this section; and

6 (viii) To add to the covenants and agreements of (or limitations and restrictions
7 upon) the City set forth in any Bond Documents, such additional or alternative covenants,
8 agreements, limitations, or restrictions to be observed by the City as the City may determine are
9 necessary or convenient to accommodate a provider of Qualified Insurance or provider of a
10 Reserve Security and which are not materially adverse to the owners of the Parity Bonds.

11 (b) **Amendments With Bond Owner Consent.** With the consent of registered owners
12 of not less than 60% in aggregate principal amount of the Parity Bonds then outstanding, the City
13 may pass, adopt, or otherwise approve any supplement or amendment (other than amendments
14 requiring unanimous consent as set forth in subsection (c)) to any Bond Document that is deemed
15 necessary or desirable by the City for the purpose of modifying, altering, amending,
16 supplementing, or rescinding, in any particular, any of the terms or provisions contained in such
17 Bond Document other than those terms and provisions described in subsection (c).

18 (c) **Amendments Prohibited Except Upon Unanimous Consent.** Unless approved in
19 writing by or on behalf of the registered owner of each Parity Bond then outstanding, nothing
20 contained in this section shall permit, or be construed as permitting (i) a change in the times,
21 amounts, or currency of payment of the principal of or interest on any outstanding Parity Bond,
22 (ii) a reduction in the principal amount or redemption price of any outstanding Parity Bond, (iii) a
23 change in the method of determining the rate of interest thereon (other than a conversion to a new

1 interest rate made in accordance with the applicable Bond Documents), (iv) a preference or priority
2 of any Parity Bond over any other Parity Bond, or (v) a reduction in the percentage of the aggregate
3 principal amount of the then-outstanding Parity Bonds required to effect a change under subsection
4 (b).

5 (d) **Notice to Bond Owners.** If at any time the City passes, adopts, or otherwise
6 approves a supplement or amendment for any of the purposes of subsection (b) or (c), the Bond
7 Registrar shall cause notice of the proposed supplement or amendment to be given by first class
8 mail (i) to all registered owners of the then outstanding Parity Bonds, (ii) to each provider of Bond
9 Insurance or a Reserve Security, and (iii) to each Rating Agency. Such notice shall briefly set forth
10 the nature of the proposed supplement or amendment and shall state that a copy is on file at the
11 office of the City Clerk for inspection by all owners of the then outstanding Parity Bonds.

12 (e) **Effective Date; Consents.** Any supplement or amendment, substantially as
13 described in the notice mailed pursuant to subsection (d), may go into effect upon delivery to the
14 Bond Registrar of (i) the required consents, in writing, of registered owners of the Parity Bonds,
15 and (ii) an opinion of Bond Counsel stating that such supplement or amendment is authorized or
16 permitted by this ordinance. Upon the effective date thereof, such supplement or amendment will
17 be valid and binding upon the City in accordance with its terms and will not adversely affect the
18 exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt
19 Bonds.

20 If registered owners of not less than the percentage of Parity Bonds required by this section
21 shall have consented to and approved such a supplement or amendment, no owner of any Parity
22 Bond shall have any right (i) to object to the passage, adoption, or approval of such supplement or
23 amendment, (ii) to object to any of the terms and provisions contained therein or the operation

1 thereof, (iii) in any manner to question the propriety of the passage, adoption, or approval thereof,
2 (iv) to enjoin or restrain the City from passing, adopting, or otherwise approving the same, or (v) to
3 enjoin or restrain the City, any authorized official thereof, or the Bond Registrar from taking any
4 action pursuant to the provisions thereof. For purposes of determining whether consents
5 representing the requisite percentage of principal amount of Parity Bonds have been obtained, the
6 Accreted Value of Capital Appreciation Bonds shall be deemed to be the principal amount. It shall
7 not be necessary to obtain approval of the particular form of any proposed supplement, but it shall
8 be sufficient if the consent shall approve the substance thereof.

9 (f) **Effect of Amendment.** Upon the effective date of any supplement or amendment,
10 this ordinance (or the relevant Bond Document, if not set forth herein) shall be deemed to be
11 modified and amended in accordance therewith, and the respective rights, duties and obligations
12 of the City and all owners of Parity Bonds then outstanding shall thereafter be determined,
13 exercised, and enforced in accordance with and subject in all respects to such modifications and
14 amendments. All the terms and conditions of any such supplement or amendment shall be deemed
15 to be a part of this ordinance and the Bond Documents for any and all purposes.

16 (g) **Special Amendments.** If and to the extent that it is determined that the written
17 consent of Registered Owners of the Bonds is required under subsection (b) or (c) of this section,
18 the Registered Owners from time to time of the Bonds, by taking and holding the same, are hereby
19 deemed to have consented to any supplement or amendment to the Bond Documents effecting any
20 one or more of the following changes:

21 (i) When calculating "Annual Debt Service," to permit or require Tax Credit
22 Subsidy Payments expected to be received by the City in any period to be credited against amounts
23 required to be paid in respect of interest on the Parity Bonds in that period; and

1 (ii) To permit or require Tax Credit Subsidy Payments to be deposited into the
2 Principal and Interest Subaccount and credited against the Net Revenue otherwise required to be
3 deposited into the Principal and Interest Subaccount; and

4 (iii) To permit the reimbursement obligations of the City under any Qualified
5 Letter of Credit or Qualified Insurance (other than a Qualified Letter of Credit or Qualified
6 Insurance obtained to satisfy all or part of the Reserve Requirement) to be secured by a lien and
7 charge on Net Revenue equal in rank with the lien and charge upon such Net Revenue required to
8 be paid into the Parity Bond Account to pay and secure the payment of the principal of and interest
9 on Parity Bonds.

10 Section 25. **Defaults and Remedies.**

11 (a) **Events of Default.** Each of the following shall constitute an Event of Default with
12 respect to the Bonds:

13 (i) If a default is made in the payment of the principal of or interest on any of
14 the Bonds when the same shall become due and payable; or

15 (ii) If the City defaults in the observance and performance of any other of the
16 covenants, conditions and agreements on the part of the City set forth in this ordinance or the
17 applicable Bond Documents (except as otherwise provided herein or in such Bond Documents)
18 and such default or defaults have continued for a period of six months after the City has received
19 from the Bond Owners' Trustee (as defined below) or from the registered owners of not less than
20 25% in principal amount of the Parity Bonds a written notice specifying and demanding the cure
21 of such default. However, if the default in the observance and performance of any other of the
22 covenants, conditions and agreements is one which cannot be completely remedied within the six
23 months after written notice has been given, it shall not be an Event of Default with respect to the

1 Bonds as long as the City has taken active steps within the six months after written notice has been
2 given to remedy the default and is diligently pursuing such remedy.

3 Notwithstanding anything in this section to the contrary, the failure of the City or any
4 obligated person to comply with the Continuing Disclosure Agreement shall not constitute an
5 Event of Default, and the sole remedy of any holder of a Bond shall be to seek an order of specific
6 performance from an appropriate court to compel the City to comply with the Continuing
7 Disclosure Agreement.

8 (b) **Bond Owners' Trustee.** So long as such Event of Default has not been remedied,
9 a trustee (the "Bond Owners' Trustee") may be appointed by the registered owners of 25% in
10 principal amount of the then outstanding Parity Bonds, by an instrument or concurrent instruments
11 in writing signed and acknowledged by such registered owners of the Parity Bonds or by their
12 attorneys-in-fact duly authorized and delivered to such Bond Owners' Trustee, notification thereof
13 being given to the City. That appointment shall become effective immediately upon acceptance
14 thereof by the Bond Owners' Trustee. Any Bond Owners' Trustee appointed under the provisions
15 of this subsection shall be a bank or trust company organized under the laws of the State of
16 Washington or the State of New York or a national banking association. The bank or trust company
17 acting as Bond Owners' Trustee may be removed at any time, and a successor Bond Owners'
18 Trustee may be appointed, by the registered owners of a majority in principal amount of the Parity
19 Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such
20 registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized. The Bond
21 Owners' Trustee may require such security and indemnity as may be reasonable against the costs,
22 expenses and liabilities that may be incurred in the performance of its duties.

1 In the event that any Event of Default in the sole judgment of the Bond Owners' Trustee is
2 cured and the Bond Owners' Trustee furnishes to the City a certificate so stating, that Event of
3 Default shall be conclusively deemed to be cured and the City, the Bond Owners' Trustee and the
4 registered owners of the Parity Bonds shall be restored to the same rights and position which they
5 would have held if no Event of Default had occurred.

6 The Bond Owners' Trustee appointed in the manner herein provided, and each successor
7 thereto, is declared to be a trustee for the registered owners of all the Parity Bonds and is
8 empowered to exercise all the rights and powers herein conferred on the Bond Owners' Trustee.

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

17 Nothing contained in this section shall, in any event or under any circumstance, be deemed
18 to authorize the acceleration of the maturity of principal on the Parity Bonds, and the remedy of
19 acceleration is expressly denied to the registered owners of the Parity Bonds under any
20 circumstances including, without limitation, upon the occurrence and continuance of an Event of
21 Default.

22 Any action, suit or other proceedings instituted by the Bond Owners' Trustee hereunder
23 shall be brought in its name as the Bond Owners' Trustee and all such rights of action upon or

1 under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bond
2 Owners' Trustee without the possession of any of those Parity Bonds and without the production
3 of the same at any trial or proceedings relative thereto except where otherwise required by law.
4 Any such suit, action or proceeding instituted by the Bond Owners' Trustee shall be brought for
5 the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions
6 of this ordinance. The respective registered owners of the Parity Bonds, by taking and holding the
7 same, shall be conclusively deemed irrevocably to appoint the Bond Owners' Trustee the true and
8 lawful trustee of the respective registered owners of those Parity Bonds, with authority to institute
9 any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming
10 distributable on account of those Parity Bonds; to execute any paper or documents for the receipt
11 of money; and to do all acts with respect thereto that the registered owner himself or herself might
12 have done in person. Nothing herein shall be deemed to authorize or empower the Bond Owners'
13 Trustee to consent to accept or adopt, on behalf of any owner of the Parity Bonds, any plan of
14 reorganization or adjustment affecting the Parity Bonds or any right of any registered owner
15 thereof, or to authorize or empower the Bond Owners' Trustee to vote the claims of the registered
16 owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other
17 proceeding to which the City is a party.

18 (d) **Application of Money Collected by Bond Owners' Trustee.** Any money
19 collected by the Bond Owners' Trustee at any time pursuant to this section shall be applied in the
20 following order of priority:

21 (i) to the payment of the charges, expenses, advances and compensation of the
22 Bond Owners' Trustee and the charges, expenses, counsel fees, disbursements and compensation
23 of its agents and attorneys;

1 (ii) to the payment to the persons entitled thereto of all installments of interest
2 then due on the Parity Bonds in the order of maturity of such installments and, if the amount
3 available shall not be sufficient to pay in full any installment or installments maturing on the same
4 date, then to the payment thereof ratably, according to the amounts due thereon to the persons
5 entitled thereto, without any discrimination or preference; and

6 (iii) to the payment to the persons entitled thereto of the unpaid principal
7 amounts of any Parity Bonds which shall have become due (other than Parity Bonds previously
8 called for redemption for the payment of which money is held pursuant to the provisions of the
9 applicable Bond Documents), whether at maturity or by proceedings for redemption or otherwise,
10 in the order of their due dates and, if the amount available shall not be sufficient to pay in full the
11 principal amounts due on the same date, then to the payment thereof ratably, according to the
12 principal amounts due thereon to the persons entitled thereto, without any discrimination or
13 preference.

14 (e) **Duties and Obligations of Bond Owners' Trustee.** The Bond Owners' Trustee
15 shall not be liable except for the performance of such duties as are specifically set forth herein.
16 During an Event of Default, the Bond Owners' Trustee shall exercise such of the rights and powers
17 vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent
18 person would exercise or use under the circumstances in the conduct of his or her own affairs. The
19 Bond Owners' Trustee shall have no liability for any act or omission to act hereunder except for
20 the Bond Owners' Trustee's own negligent action, its own negligent failure to act or its own willful
21 misconduct. The duties and obligations of the Bond Owners' Trustee shall be determined solely
22 by the express provisions of this ordinance, and no implied powers, duties or obligations of the
23 Bond Owners' Trustee shall be read into this ordinance.

1 The Bond Owners' Trustee shall not be required to expend or risk its own funds or
2 otherwise incur individual liability in the performance of any of its duties or in the exercise of any
3 of its rights or powers as the Bond Owners' Trustee, except as may result from its own negligent
4 action, its own negligent failure to act or its own willful misconduct.

5 The Bond Owners' Trustee shall not be bound to recognize any person as a registered
6 owner of any Parity Bond until his or her title thereto, if disputed, has been established to its
7 reasonable satisfaction.

8 The Bond Owners' Trustee may consult with counsel and the opinion of such counsel shall
9 be full and complete authorization and protection in respect of any action taken or suffered by it
10 hereunder in good faith and in accordance with the opinion of such counsel. The Bond Owners'
11 Trustee shall not be answerable for any neglect or default of any person, firm or corporation
12 employed and selected by it with reasonable care.

13 (f) **Suits by Individual Parity Bond Owners Restricted.** No owner of any one or
14 more Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity
15 for the enforcement of same unless:

16 (i) an Event of Default has happened and is continuing; and
17 (ii) a Bond Owners' Trustee has been appointed; and
18 (iii) such owner previously shall have given to the Bond Owners' Trustee
19 written notice of the Event of Default on account of which such suit, action or proceeding is to be
20 instituted; and

21 (iv) the registered owners of 25% in principal amount of the Parity Bonds, after
22 the occurrence of such Event of Default, have made written request of the Bond Owners' Trustee

1 and have afforded the Bond Owners' Trustee a reasonable opportunity to institute such suit, action
2 or proceeding; and

3 (v) there have been offered to the Bond Owners' Trustee security and indemnity
4 satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

5 (vi) the Bond Owners' Trustee has refused or neglected to comply with such
6 request within a reasonable time.

7 No owner of any Parity Bond shall have any right in any manner whatever by his or her
8 action to affect or impair the obligation of the City to pay from Net Revenue the principal of and
9 interest on such Parity Bonds to the respective registered owners thereof when due.

10 Section 26. **General Authorization.** In addition to the specific authorizations in this
11 ordinance, the Mayor and the Director of Finance and each of the other appropriate officers of the
12 City are each authorized and directed to do everything as in his or her judgment may be necessary,
13 appropriate, or desirable in order to carry out the terms and provisions of, and complete the
14 transactions contemplated by, this ordinance. In particular and without limiting the foregoing:

15 (a) The Director of Finance, in his or her discretion and without further action by the
16 City Council, (i) may issue requests for proposals to provide underwriting services or financing
17 facilities (including, without limitation, Qualified Insurance, a Qualified Letter of Credit, or other
18 credit support or liquidity facility), and may execute engagement letters and other agreements with
19 underwriters and other financial institutions (including providers of liquidity or credit support)
20 based on responses to such requests; (ii) may select and make decisions regarding the Bond
21 Registrar, fiscal or paying agents, and any Securities Depository for each Series of the Bonds;
22 (iii) may take any and all actions necessary or convenient to provide for the conversion of interest
23 rate modes for any Series in accordance with the applicable Bond Documents; and (iv) may take

1 such actions on behalf of the City as are necessary or appropriate for the City to designate, qualify,
2 or maintain the tax-exempt treatment with respect to any Series issued as Tax-Exempt Bonds, to
3 receive from the United States Treasury the applicable Tax Credit Subsidy Payments in respect of
4 any Series issued as Tax Credit Subsidy Bonds, and to otherwise receive any other federal tax
5 benefits relating to any Series of the Bonds that are available to the City; and

6 (b) Each of the Mayor and the Director of Finance are each separately authorized to
7 execute and deliver (i) any and all contracts or other documents as are consistent with this
8 ordinance and for which the City's approval is necessary or to which the City is a party (including
9 but not limited to agreements with escrow agents, refunding trustees, liquidity or credit support
10 providers, providers of Qualified Insurance or Reserve Securities, remarketing agents,
11 underwriters, lenders or other financial institutions, fiscal or paying agents, Qualified
12 Counterparties, custodians, and the Bond Registrar); and (ii) such other contracts or documents
13 incidental to: the issuance and sale of any Series of the Bonds; the establishment of the interest
14 rate or rates on a Bond; or the conversion, tender, purchase, remarketing, or redemption of a Bond,
15 as may in his or her judgment be necessary or appropriate.

16 Section 27. **Severability.** The provisions of this ordinance are declared to be separate
17 and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal
18 periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any
19 person or circumstance, such offending provision shall, if feasible, be deemed to be modified to
20 be within the limits of enforceability or validity. However, if the offending provision cannot be so
21 modified, it shall be null and void with respect to the particular person or circumstance, and all
22 other provisions of this ordinance in all other respects, and the offending provision with respect to
23 all other persons and all other circumstances, shall remain valid and enforceable.

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

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

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

4 Passed by the City Council the 20th day of NOVEMBER, 2017,
5 and signed by me in open session in authentication of its passage this 20th day of
6 NOVEMBER, 2017.

7 

8 President _____ of the City Council

9 Approved by me this 22ND day of November, 2017.

10 

11 Tim Burgess, Mayor

12 Filed by me this 28th day of NOVEMBER, 2017.

13 

14 Monica Martinez Simmons, City Clerk

15 (Seal)

16 Attachments:
17 Exhibit A – Outstanding Drainage and Wastewater System Parity Bonds
18 Exhibit B – Form of Continuing Disclosure Agreement
19
20

EXHIBIT A

OUTSTANDING DRAINAGE AND WASTEWATER SYSTEM PARITY BONDS

Issue Name	Dated Date	Original Par Amount	Bond Legislation		
			New Money Ord.	Refunding Ord.	Bond Sale Res.
Drainage and Wastewater Revenue Bonds, 2008	04/16/2008	\$84,645,000	Ord. 122637	--	Res. 31050
Drainage and Wastewater Revenue Bonds, Series 2009A (Taxable Build America Bonds – Direct Payment)	12/17/2009	\$102,535,000	Ord. 123055	--	Res. 31177
Drainage and Wastewater Improvement and Refunding Revenue Bonds, Series 2009B	12/17/2009	\$36,680,000	Ord. 123055	Ord. 121938 (as amended by Ord. 122209 and Ord. 122637)	Res. 31177
Drainage and Wastewater Improvement and Refunding Revenue Bonds, 2012	06/27/2012	\$222,090,000	Ord. 123753	Ord. 121938 (as amended by Ord. 122209 and Ord. 122637)	Res. 31387
Drainage and Wastewater Improvement and Refunding Revenue Bonds, 2014	07/10/2014	\$133,180,000	Ord. 124337	Ord. 124338 (amending and restating Ord. 121938)	Res. 31531
Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2016	06/22/2016	\$164,945,000	Ord. 124914	Ord. 124338 (amending and restating Ord. 121938)	Res. 31674
Drainage and Wastewater System Improvement and Refunding Revenue Bonds, 2017	06/28/2017	\$234,125,000	Ord. 125297	Ord. 124338 (amending and restating Ord. 121938) as amended by Ord. 124914	Res. 31756

EXHIBIT B

FORM OF CONTINUING DISCLOSURE AGREEMENT

The City of Seattle, Washington (the “City”) makes the following written Undertaking for the benefit of the Owners of the City’s [Drainage and Wastewater Revenue Bonds, 2018] [Series Designation] (the “Bonds”), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance [redacted] [and Ordinance [redacted]] ([together,]the “Bond Legislation”).

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events.

The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

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

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or

1 their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of
2 proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB)
3 or other material notices or determinations with respect to the tax status of the Bonds, or other
4 material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the
5 Bonds, if material; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds),
6 if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property
7 securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency,
8 receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-
9 12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale
10 of all or substantially all of the assets of the City other than in the ordinary course of business, the
11 entry into a definitive agreement to undertake such an action or the termination of a definitive
12 agreement relating to any such actions, other than pursuant to its terms, if material; and (14)
13 appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

19 (i) Shall consist of (1) annual financial statements of the Drainage and
20 Wastewater System prepared in accordance with applicable generally accepted accounting
21 principles applicable to governmental units (except as otherwise noted herein), as such principles
22 may be changed from time to time and as permitted by applicable state law; (2) a statement of
23 outstanding bonded debt secured by revenues of the Drainage and Wastewater System; (3) debt

1 service coverage ratios; (4) general customer statistics, such as number and type of customers and
2 revenues by customer class; and (5) current drainage rate and wastewater rates;

3 (ii) Shall be provided not later than the last day of the ninth month after the end
4 of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year
5 may be changed as required or permitted by state law, commencing with the City's fiscal year
6 ending December 31, 20 ; and

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

10 (c) Amendment of Undertaking. This Undertaking is subject to amendment after the
11 primary offering of the Bonds without the consent of any Owner or holder of any Bond, or of any
12 broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB,
13 under the circumstances and in the manner permitted by Rule 15c2-12, including:

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

17 (ii) The undertaking, as amended, would have complied with the requirements
18 of the rule at the time of the primary offering, after taking into account any amendments or
19 interpretations of the rule, as well as any change in circumstances; and

20 (iii) The amendment does not materially impair the interests of holders, as
21 determined either by parties unaffiliated with the City (e.g., bond counsel or other counsel familiar
22 with federal securities laws), or by approving vote of bondholders pursuant to the terms of the
23 Bond Legislation at the time of the amendment.

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

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

9 (e) Termination of Undertaking. The City's obligations under this Undertaking shall
10 terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. In
11 addition, the City's obligations under this Undertaking shall terminate if those provisions of
12 Rule 15c2-12 which require the City to comply with this Undertaking become legally inapplicable
13 in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond
14 counsel or other counsel familiar with federal securities laws delivered to the City, and the City
15 provides timely notice of such termination to the MSRB.

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

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

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

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

11 (iii) Determining whether any person other than the City is an “obligated
12 person” within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such
13 person an undertaking to provide any annual financial information and notice of listed events for
14 that person in accordance with Rule 15c2-12;

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

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