Legislation Passed April 21, 2015

The Tacoma City Council, at its regular City Council meeting of April 21, 2015, adopted the following resolutions and/or ordinances. The summary of the contents of said resolutions and/or ordinances are shown below. To view the full text of the document, click on the bookmark at the left of the page.

Resolution No. 39172

A resolution appointing Keith Stone to the Foss Waterway Development Authority.
[Doris Sorum, City Clerk; Elizabeth Pauli, City Attorney]

Resolution No. 39173

A resolution awarding a contract to Gary Merlino Construction Co., Inc., in the amount of $9,060,856.39, plus a 5.5 percent contingency, for a cumulative total of $9,559,752.00, including sales tax, budgeted from the Transportation Capital Fund, for the reconstruction of Port of Tacoma Road from Marshall Avenue to East 11th Street, including a new water main from Lincoln Avenue to East 11th Street - Specification No. PW14-0696F.
[Tom Rutherford, P.E., Project Manager; Kurtis D. Kingsolver, P.E., Director, Public Works]

Resolution No. 39174

A resolution awarding a contract to Avertra Corporation, Sage Group Consulting, Inc., Apex Systems, Inc., and Phoenix Business, Inc., in a total amount not to exceed $1,900,000, budgeted from the Information Systems Fund, for SAP Technical and Functional Consulting Services, for the period of May 1, 2015 through May 1, 2018, with possible extensions through May 2020 - Specification No. IT14-0576F.
[Jack Kelanic, Director, Information Technology]

Resolution No. 39175

A resolution adopting the 2015-2020 Region 5 Hazard Mitigation Plan for emergency management planning and mitigation funding.
[Toryono Green, Deputy Chief; James P. Duggan, Fire Chief]

Resolution No. 39176

A resolution authorizing the execution of an agreement with the Metropolitan Development Council, in the amount of $890,000, budgeted from the Mental Health Substance Use Disorder Fund, for the treatment and housing needs for those experiencing homelessness, for the period of January 1, 2015 through December 31, 2016.
[Pamela Duncan, Human Services Division Manager; Nadia Chandler Hardy, Director, Neighborhood and Community Services]

Resolution No. 39177

A resolution authorizing the execution of an agreement with the Metropolitan Development Council, in the amount of $370,000, budgeted from the Mental Health Substance Use Disorder Fund, to support individuals struggling with mental illness by providing co-occurring disorder treatment services and additional support for individuals housed in secure housing units, for the period of January 1, 2015 through December 31, 2016.
[Pamela Duncan, Human Services Division Manager; Nadia Chandler Hardy, Director, Neighborhood and Community Services]

Amended Ordinance No. 28294

An ordinance amending Title 6 of the Municipal Code, entitled "Tax and License Code," establishing an amnesty program for taxes imposed under various chapters, and offering a specific time period for application and payment to benefit unlicensed businesses and businesses with delinquent accounts in Tacoma.
[Danielle Larson, Tax and License Division Manager; Andy Cherullo, Director, Finance]

Ordinance No. 28295

An ordinance authorizing a new issue of bonds to be known as the City of Tacoma Electric System Subordinate Revenue Bonds, and fixing the terms, provisions, and covenants of the City.
[Bill Berry, Rates, Power, and Analysis Manager; Ted Coates, Superintendent, Tacoma Power]

Ordinance No. 28296

An ordinance approving a Supplemental Bond Ordinance; and authorizing Tacoma Power to execute a short-term drawdown direct note purchase agreement with Wells Fargo Bank, in the amount of $100,000,000, to provide funds to finance or refinance costs of capital improvements to the Electrical System.
[Bill Berry, Rates, Power, and Analysis Manager; Ted Coates, Superintendent, Tacoma Power]

Ordinance No. 28297

An ordinance approving a Supplemental Bond Ordinance; and authorizing Tacoma Power to execute a short-term liquidity note purchase agreement with KeyBank, in an amount not to exceed $50,000,000, to provide general credit, including liquidity, for the Electric System.
[Bill Berry, Rates, Power, and Analysis Manager; Ted Coates, Superintendent, Tacoma Power]

timely filed

RECEIVED

MAR 23 2015

CITY CLERK'S OFFICE

In the matter of:	File No.: HEX 2014-025
Local Improvement District No. 8648	**APPEAL TO CITY COUNCIL OF HEARING EXAMINER DECISION**

Matthew Austin, by and through his attorney, Nigel S. Malden, hereby appeals the decision of Hearing Examiner, Phyllis K. Macleod, dated March 9, 2015, pursuant to T.M.C. 1.70.010. The specific grounds of the appeal are as follows:

1. The recommendation is an erroneous interpretation of the law T.M.C. 1.70.010(b).
2. The Hearing Examiner's recommendation is not supported by evidence that is substantial when viewed in light of the whole record T.M.C. 1.70.0010(c).
3. The recommendation is clearly an erroneous application of the law to the facts T.M.C. 1.703010(d).

The appellant requests the opportunity to submit written argument to the City Council in support of his position prior to the hearing.

DATED: This 23 day of March, 2015.

NIGEL S. MALDEN, WSBA #15643
Attorney for Petitioner, Matthew Austin

NIGEL S. MALDEN LAW, PLLC
711 Court A, Suite 114
Tacoma, Wa. 98402
253-627-0393 253-573-1209 Fax

RESOLUTION NO. 39172

BY REQUEST OF DEPUTY MAYOR BOE AND COUNCIL MEMBERS CAMPBELL, MELLO AND WALKER

A RESOLUTION relating to committees, boards, and commissions; appointing an individual to the Foss Waterway Development Authority.

WHEREAS a vacancy exists on the Foss Waterway Development Authority, and

WHEREAS, at its meeting of March 31, 2015, the Economic Development Committee recommended the appointment of Keith Stone to said authority, and

WHEREAS, pursuant to City Charter 2.4 and the Rules, Regulations, and Procedures of the City Council, Keith Stone has been nominated to serve on the Foss Waterway Development Authority; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

That Keith Stone is hereby confirmed and appointed as a member of the Foss Waterway Development Authority, to fill an unexpired term to expire December 31, 2015.

Adopted _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
City Attorney

RESOLUTION NO. 39173

A RESOLUTION related to the purchase of materials, supplies or equipment, and the furnishing of services; authorizing the execution of a contract with Gary Merlino Construction Co., Inc., in the amount of $9,060,856.39, plus a 5.5 percent contingency, for a cumulative total of $9,559,752.00, sales tax included, budgeted from the Transportation Capital Fund, for reconstruction of Port of Tacoma Road from Marshall Avenue to East 11th Street, including a new water main from Lincoln Avenue to East 11th Street, pursuant to Specification No. PW14-0696F.

WHEREAS the City has complied with all applicable laws and processes governing the acquisition of those supplies, and/or the procurement of those services, inclusive of public works, as is shown by the attached Exhibit "A," incorporated herein as though fully set forth, and

WHEREAS the Board of Contracts and Awards has concurred with the recommendation for award as set forth in Exhibit "A"; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

Section 1. That the Council of the City of Tacoma concurs with the Board of Contracts and Awards to adopt the recommendation for award as set forth in the attached Exhibit "A."

Section 2. That the proper officers of the City are hereby authorized to enter into a contract with Gary Merlino Construction Co., Inc., in the amount of $9,060,856.39, plus a 5.5 percent contingency, for a cumulative total of $9,559,752.00, sales tax included, budgeted from the Transportation Capital Fund, for reconstruction of Port of Tacoma Road from Marshall Avenue to East 11th

Street, including a new water main from Lincoln Avenue to East 11th Street, pursuant to Specification No. PW14-0696F, consistent with Exhibit "A."

Adopted _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
City Attorney

RESOLUTION NO. 39174

A RESOLUTION related to the purchase of materials, supplies or equipment, and the furnishing of services; authorizing the execution of a contract with Avertra Corporation, Sage Group Consulting, Inc., Apex Systems, Inc., and Phoenix Business, Inc., at a total not-to-exceed amount of $1,900,000, budgeted from the Information Systems Fund, for SAP Technical and Functional Consulting Services, for the period of May 1, 2015 through May 1, 2018, with possible extensions through May 2020, pursuant to Specification No. IT14-0576F.

WHEREAS the City has complied with all applicable laws and processes governing the acquisition of those supplies, and/or the procurement of those services, inclusive of public works, as is shown by the attached Exhibit "A," incorporated herein as though fully set forth, and

WHEREAS the Board of Contracts and Awards has concurred with the recommendation for award as set forth in Exhibit "A"; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

Section 1. That the Council of the City of Tacoma concurs with the Board of Contracts and Awards to adopt the recommendation for award as set forth in the attached Exhibit "A."

Section 2. That the proper officers of the City are hereby authorized to enter into a contract with Avertra Corporation, Sage Group Consulting, Inc., Apex Systems, Inc., and Phoenix Business, Inc., at a total not-to-exceed amount of

$1,900,000, budgeted from the Information Systems Fund, for SAP Technical and Functional Consulting Services, for the period of May 1, 2015 through May 1, 2018, with possible extensions through May 2020, pursuant to Specification No. IT14-0576F, consistent with Exhibit "A."

Adopted _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
City Attorney

RESOLUTION NO. 39175

A RESOLUTION relating to emergency management; authorizing the adoption of the 2015-2020 Region 5 Hazard Mitigation Plan for emergency management planning and mitigation funding.

WHEREAS federal law requires that applicants must have an approved Natural Hazard Mitigation Plan in order to be reimbursed from the Pre-Disaster Mitigation Grant Program or Hazard Mitigation Grant Program, and

WHEREAS, in April 2009, the City Council adopted Resolution No. 37769, adopting the Region 5 Hazard Mitigation Plan ("Plan"), and

WHEREAS the Plan was created as a tool for reducing the potential for economic loss, personal injury, and damage that can arise from natural, man-made, and technological hazards, and

WHEREAS the Plan has been approved by the Federal Emergency Management Agency; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

That the 2015-2020 Region 5 Hazard Mitigation Plan, which has been approved by the Federal Emergency Management Agency, is hereby adopted,

said document to be substantially in the form of the proposed Plan on file in the office of the City Clerk.

Adopted _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
Deputy City Attorney

RESOLUTION NO. 39176

A RESOLUTION relating to human services; authorizing the execution of an agreement with Metropolitan Development Council (MDC) in the amount of $890,000 budgeted from the Mental Health Substance Use Disorder Fund, providing funding that addresses the treatment and housing needs for those experiencing homelessness for the period of January 1, 2015 through December 31, 2016.

WHEREAS, on July 22, 2014, the City Council adopted the 2015-2019 Human Services Strategic Plan ("HSSP") presented by the Neighborhood and Community Services department, and

WHEREAS Resolution No. 38978 specifically addressed the issue of direct funding where deemed appropriate, including the City's Housing First Contracts, and WHEREAS, on August 1, 2014 a competitive funding application addressing identified funding priorities was released to the public, and

WHEREAS the Mental Health Substance Use Disorder Fund ("MHSUD") has a total of four funding priorities which include: (1) Programs Targeted to Help Youth, (2) Community Based Care, (3) Jail and Hospital Diversion, and (4) Reduce Chronic Homelessness, and

WHEREAS, during the competitive process, Council asked staff to identify priority areas that were not addressed throughout the competitive process and ensure citizens' safety was not put at risk, and

WHEREAS staff determined that there was a gap in providing Co-Occurring Disorder ("COD") treatment services for Tacoma residents, and most specifically those in sheltered care, and

WHEREAS, Council offered their support for creating a Shelter/COD Treatment Program, and

WHEREAS funding dedicated to this Program would come from MHSUD Direct Funding, and

WHEREAS the following contract is before City Council: (1) Metropolitan Development Council's (MDC's) Housing First program (a single-year contract in the amount of $210,000) that will provide resources critical to transitioning individuals out of Housing First units into other housing resources in the Community as MDC surrenders their City of Tacoma Housing First program, and 2) MDC's Shelter/COD Treatment Program in the amount of $680,000 providing clinical assessments, treatment, and the opportunity to attain subsidized housing at Nativity House for individuals with co-occurring disorders; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

That the proper officers of the City are hereby authorized to execute an agreement with Metropolitan Development Council in the amount of $890,000, budgeted from the Mental Health Substance Use Disorder Fund, to allow current housing first clients to be transitioned to safe housing, ensuring individuals do not experience homelessness, for the period of January 1, 2015 through December 31, 2015 and, further, a contract providing co-occurring

disorder treatment services to individuals sheltered at Nativity House for the period of January 1, 2015 through December 31, 2016.

Adopted _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
Deputy City Attorney

RESOLUTION NO. 39177

A RESOLUTION authorizing the execution of an agreement with Metropolitan Development Council ("MDC"), in the amount of $370,000, budgeted from the Mental Health Substance Use Disorder Fund, for the provision of human services supporting individuals struggling with mental illness, by providing co-occurring disorder treatment services and additional support for individuals housed in secure housing units.

WHEREAS, on July 22, 2014, the City Council adopted the 2015-2019 Human Services Strategic Plan ("HSSP") presented by the Neighborhood and Community Services Department, and

WHEREAS, on August 1, 2014, a competitive funding application addressing the identified priorities was released to the public, and

WHEREAS, under Mental Health Substance Use Disorder ("MHSUD"), a total of 16 applications were received, with requests totaling $5 million, and

WHEREAS, there were no applications received under the MHSUD process to address the reduction of chronic homelessness for individuals struggling with mental illness, and

WHEREAS, on December 2, 2014, a competitive funding application to address chronic homelessness was released to the public, and

WHEREAS, under the MHSUD process, a total of nine applications were received to address chronic homelessness, with requests totaling $973,725 in funding, and

WHEREAS, on January 14, 2015, a total of seven applications were recommended for funding by the Human Services Commission, and

WHEREAS, two of the recommendations are: (1) Metropolitan Development Council ("MDC") Randall Townsend Housing in the amount of $100,000, providing 24/7 secure access housing to individuals experiencing homelessness, substance use disorders and/or mental illness; and (2) MDC's

Housing First Risk Reduction program, a single year award in the amount of $20,000, providing resources to repair damages for Housing First units, and

WHEREAS, MDC was recommended for funding for its Behavioral Health and Recovery Program in the amount of $250,000 under the first competitive process, providing co-occurring disorder treatment for individuals struggling with mental illness and substance use disorders; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

That the proper officers of the City are hereby authorized to execute an agreement with Metropolitan Development Council ("MDC") in the amount of $370,000, budgeted from the Mental Health Substance Use Disorder Fund for the provision of human services supporting individuals struggling with mental illness by providing co-occurring disorder treatment services and additional support for individuals housed in secure housing sites, for the period January 1, 2015 through December 31, 2016, said documents to be substantially in the form of the proposed agreements on file in the office of the City Clerk.

Adopted _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
Deputy City Attorney

ORDINANCE NO. 28294

AN ORDINANCE relating to tax and license; establishing an Amnesty Program for taxes imposed under Tacoma Municipal Code Chapters 6A.20, Admission Tax; 6A.30, Business and Occupation Tax; 6A.40, Communications Tax; 6A.50, Electricity Business and Solid Waste Collection; 6A.60, Gambling Tax; and license fees assessed in TMC Title 6B, License Code; and offering a specific time period for application and payment to benefit unlicensed businesses and businesses with delinquent accounts in the City of Tacoma.

WHEREAS there are currently 4,600 businesses in the City with delinquent tax returns, license fees, or penalties on their accounts, with an estimated total of $1.4 million due; 2,000 known unlicensed businesses; and an unknown number of unlicensed businesses currently operating in the City, and

WHEREAS the City's Finance Department was asked to research an amnesty program for City businesses, for unpaid tax and license liabilities, and

WHEREAS amnesty programs typically have several goals: (1) provide relief for businesses; (2) clean-up of past-due accounts; (3) ensure businesses are licensed and current on taxes; (4) provide an opportunity for businesses to voluntarily come into compliance before larger compliance efforts are initiated; and (5) generate revenue that may otherwise be uncollected, and

WHEREAS the City has never offered an amnesty program for tax and license liabilities owed to it, and

WHEREAS staff is recommending an amnesty program that would (1) waive late filing penalties and interest on tax and license accounts; (2) waive 50 percent of civil penalties due on tax and license accounts; and (3) limit the look-back provision for unregistered businesses for tax and license fees to four years, and

WHEREAS staff recommends a limited amnesty program for taxes imposed under Tacoma Municipal Code ("TMC") Chapters 6A.20, Admission Tax; 6A.30, Business and Occupation Tax; 6A.40, Communications Tax; 6A.50, Electricity Business and Solid Waste Collection; and 6A.60, Gambling Tax; and license fees assessed in TMC Title 6B, License Code, and

WHEREAS the recommended timeframe includes (1) a media and marketing campaign in April-May 2015; (2) an application period from June 1-30, 2015; (3) payment of required tax and license fees by July 31, 2015, in order to waive penalties and interest, except for tax and license fee liabilities of $1,500 or more; (4) a six-month partial payment option for liabilities of $1,500 or more, to be paid during July 31-December 31, 2015; and (5) at the discretion of the Director of Finance, the application period of June 1-30, 2015, may be extended for up to two (2) weeks; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

Section 1. That an Amnesty Program, relating to taxes imposed under Tacoma Municipal Code Chapters 6A.20, Admission Tax; 6A.30, Business and Occupation Tax; 6A.40, Communications Tax; 6A.50, Electricity Business and Solid Waste Collection; and 6A.60, Gambling Tax; and license fees assessed in Title 6B, License Code, is hereby approved.

Section 2. That said Program will consist of the following:

(1) Upon full payment of tax and license fees, waive associated late filing penalties and interest;

(2) Upon payment of 50 percent of civil penalties due on Tax and License accounts, waive the remaining 50 percent of civil penalties, not including civil penalties that have been referred to the City's collection agency for collection; and

(3) Upon application for new registration and full payment of tax and license fees, limit the look-back provision to four years.

Section 3. That implementation of the Amnesty Program will include (1) a media and marketing campaign in April-May 2015; (2) an application period from June 1-30, 2015; (3) payment of required tax and license fees by July 31, 2015, in order to waive penalties and interest, except for tax and license fee liabilities of $1,500 or more; (4) a six-month partial payment option, to be paid during July 31-December 31, 2015, for liabilities of $1,500 or more; and (5) at the discretion of the Director of Finance, the application period of June 1-30, 2015, may be extended for up to two (2) weeks.

Section 4. That the Director of Finance is hereby authorized to administer said Amnesty Program.

Passed _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
Deputy City Attorney

ORDINANCE NO. 28295

AN ORDINANCE relating to Tacoma Power, Department of Public Utilities, Light Division (d.b.a. "Tacoma Power"); authorizing a new issue of bonds to be known as the City of Tacoma Electric System Subordinate Revenue Bonds, and fixing the terms and provisions thereof and the covenants of the City with respect thereto, and addressing certain other matters in connection therewith.

WHEREAS the City, by Ordinance No. 23514, passed on November 20, 1985 (as amended, supplemented and restated, the "Senior Bond Ordinance"), authorized Electric System Revenue Bonds of the City (the "Senior Bonds") to be issued in series having a parity of lien and charge on the Revenues after the payment of Operating Expenses (as those terms are defined herein) if certain conditions are met and complied with, made covenants in connection with the issuance of such Senior Bonds and authorized the sale and issuance of a first series of such Senior Bonds to refund all of the City's then-outstanding light and power revenue bonds, and

WHEREAS the City has issued and there are currently outstanding approximately $508,000,000 aggregate principal amount of the Senior Bonds; and

WHEREAS, the Senior Bond Ordinance permits the City to issue obligations that are junior and subordinate to the payment of the Senior Bonds and that are payable out of revenues derived by the City from its ownership and operation of the City's Electric System, after payment of the expense of operating and maintaining the Electric System, only after the prior payment of all amounts required to be paid or set aside under the Senior Bonds Ordinance

for the Senior Bonds, as the same shall become due at the times and in the manner as required in the Senior Ordinance, and

WHEREAS the City Council hereby determines that it is in the best interests of the City to authorize a new issue of revenue bonds of the City junior and subordinate to the Senior Bonds to be known as the City of Tacoma Electric System Subordinate Revenue Bonds (defined as the "Subordinate Bonds") in one or more series to finance costs of the Electric System; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

ARTICLE I

DEFINITIONS AND GENERAL PROVISIONS

Section 1.1. Definitions. As used in this Subordinate Ordinance, the following words shall have the following meanings:

"Accreted Value" means, with respect to any Capital Appreciation Bonds, the principal amount thereof plus the interest accrued thereon from its delivery date, compounded at the accretion rate thereof on each date specified therein, to the date of calculation.

"Annual Debt Service" for any Fiscal Year means the amount equal to:

(a) the interest due during such Fiscal Year on all outstanding Subordinate Bonds, excluding interest to be paid from the proceeds of sale of Subordinate Bonds or other moneys which have been irrevocably deposited in the Interest Account for that purpose; and

(b) the maturing principal of all outstanding Bonds due in such Fiscal Year; and

(c) the mandatory sinking fund redemptions of Term Bonds due in such Fiscal Year.

For purposes of this definition:

(i) The interest due in each Fiscal Year shall be reduced by the amount of any Federal subsidy received by the City in such Fiscal Year specifically for the payment of such interest;

(ii) the interest rate on Variable Rate Bonds to be issued shall be assumed to be 80 percent of the 30-year Revenue Bond Index published in *The Bond Buyer* on such date of calculation (or, if *The Bond Buyer* ceases to be published or ceases to publish such index, any comparable successor nationally recognized financial publication or index designated by the City);

(iii) if a Payment Agreement is in effect pursuant to which the City is obligated to pay a fixed rate with respect to any Variable Rate Bonds, the interest rate on such Variable Rate Bonds during the period such Payment Agreement is scheduled to be in effect shall be assumed to be the fixed rate specified in such Payment Agreement;

(iv) if a Payment Agreement is in effect with respect to any Bonds pursuant to which the City receives a fixed rate in exchange for paying a variable rate, the interest rate on such Bonds during the period such Payment Agreement is scheduled to be in effect shall be assumed to be the sum of (A) the interest rate on such Bonds determined as if such Bonds were Variable

Rate Bonds, and (B) the difference, if any, between the fixed rate of interest borne by such Bonds and the fixed rate the City receives pursuant to such Payment Agreement;

(v) the principal of any Balloon Bonds shall be assumed to become due and payable in each Fiscal Year in an amount that would be sufficient to fully amortize such principal, together with interest thereon at the rate such Bonds are otherwise assumed to bear for purposes of this definition (using semi-annual compounding and a year of 360 days), on a level debt service basis over a period commencing on the first day of the Fiscal Year next preceding the date of calculation and ending 30 years thereafter; and

(vi) debt service with respect to the Senior Bonds shall be calculated in the same manner set forth above for the Subordinate Bonds.

"Balloon Bonds" means the principal amount of Subordinate Bonds of a series (including Capital Appreciation Bonds) that becomes due and payable, either at scheduled maturity, by Sinking Fund Requirement or by mandatory tender for purchase, in any Fiscal Year that constitutes 25 percent or more of the initial aggregate principal amount of such series of Bonds.

"Beneficial Owner" means, for any Bond held by a nominee, the owner of the beneficial interest in such Bond.

"Board" means the Public Utility Board of the City.

"Bond Counsel" means an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to bonds

issued by states and their political subdivisions and the tax-exempt status thereof.

"Bond Fund" means the Electric System Subordinate Bond Fund created by Section 8.2.

"Bond Register" means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of the Subordinate Bonds.

"Bond Registrar" means initially the Paying Agent, or any successor bond registrar selected by the City.

“Bond Retirement Account” means the Subordinate Bond Retirement Account established pursuant to Section 8.2.

“Book-Entry Bonds” means Bonds for which a Securities Depository or its nominee is the Owner.

“Business Day” means any day other than (a) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, (b) a day upon which the principal office of the City or the Trustee is authorized or required by law to be closed, or (c) with respect to a series of Subordinate Bonds, any day so specified in the Supplemental Ordinance authorizing the issuance of such series of Subordinate Bonds.

"Capital Appreciation Bonds" means any Subordinate Bonds as to which interest accretes rather than being payable on a current basis.

"Certified Public Accountant" means an independent certified public accountant (or firm of certified public accountants) selected by the City and

having widely recognized experience and expertise with respect to the audit and accounting of municipal electric utilities comparable to the Electric System.

"City" means the City of Tacoma, Washington, a home-rule charter municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

"City Payment" means any regularly scheduled payment required to be made by or on behalf of the City under a Payment Agreement and which is determined according to a formula set forth in the Payment Agreement.

"City Payment Date" means any date specified in the Payment Agreement on which a City Payment is due and payable under the Payment Agreement.

“Code" means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary, or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Subordinate Bonds.

"Construction Fund" means the Subordinate Construction Fund established pursuant to Section 8.4 hereof.

"Consulting Engineer" means an independent licensed professional engineer (or firm of licensed professional engineers) selected by the City and having widely recognized expertise and experience with electric systems of comparable size and character to the Electric System.

"Contract Resource Obligation" means an obligation of the Electric System to pay costs for electric power, energy, capacity, reserves or transmission services from specified facilities, including from a separate electric utility system of the City, as an Operating Expense of the Electric System, regardless of whether or not such power, energy, capacity, reserves or transmission services are made available to or utilized by the Electric System, which such costs may include costs of operation and maintenance, debt service, and renewals, replacements, additions and betterments to such facilities.

"City Council" means the City Council of the City as the same shall be duly and regularly constituted from time to time.

“Credit Facility” means a credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement, bond or note purchase agreement, insurance policy, surety policy or other similar agreement or instrument under which a Person undertakes to provide funds to pay the principal of and interest on or the purchase price of a series of Subordinate Bonds; but excluding any Reserve Account Facility.

“Credit Provider” means the provider of Credit Facility.

"DTC" means The Depository Trust Company or its successor.

"Electric System" means the electric utility properties, rights and assets, real and personal, tangible and intangible, now owned and operated by the City and used or useful in the generation, transmission, distribution and sale of electric energy and the business incidental thereto, and all properties, rights

and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the City as additions, betterments, improvements or extensions to said electric utility properties, rights and assets, including the provision of telecommunication services to customers of the Electric System, but shall not include any generation, transmission, and distribution facilities that may hereafter be purchased, constructed, or otherwise acquired by the City and declared by the City Council to be a separate utility system the revenues of which may be pledged to the payment of revenue obligations issued to finance such separate utility system. The City may, by ordinance, elect to combine with and include as a part of the Electric System any other separate utility system of the City; provided, that full provision for the payment of any outstanding indebtedness of such separate system shall first be made in substantially the manner set forth in Section 13.2.

"Event of Default" means those events described as Events of Default in Section 11.1.

"Finance Director" means the Director of the Department of Finance of the City, or the City official who succeeds to substantially all of the responsibilities of that office.

"Fiscal Year" means the Fiscal Year used by the City at any time. At the time of the passage of this Subordinate Ordinance, the Fiscal Year is the 12-month period beginning January 1 of each year.

"Fitch" means Fitch Ratings, Inc., and its successors and assigns, except that if such organization shall be dissolved or liquidated or shall no longer

perform the functions of a securities credit rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities credit rating agency selected by the City.

"Government Obligations" means non-callable direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed as to timely payment by the United States of America.

“Interest Account” means the Subordinate Bonds Interest Account established pursuant to Section 8.2.

“Letter of Representations” means the a letter of representations executed by the City and delivered to DTC and any amendments thereto or successor agreements between the City and any successor Securities Depository, relating to a system of Book-Entry Bonds to be maintained by the Securities Depository with respect to the Subordinate Bonds.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns, except that if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities credit rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities credit rating agency selected by the City.

"Net Revenues" means, for any period, the excess of Revenues over Operating Expenses for such period.

"Operating Expenses" means all the City's expenses for operation and maintenance of the Electric System, including all operation and maintenance expenses included in the Uniform System of Accounts. Operating Expenses

shall include (a) payments with respect to Contract Resource Obligations, and (b) payments to the City for services rendered to the Electric System by other departments or offices of the City. Operating Expenses shall not include any extraordinary, non-recurring expenses, any costs or expenses for new construction, interest, amortization, any allowance for depreciation or any taxes payable to the City (or payments in lieu of taxes) upon the properties or earnings of the Electric System or the earnings of any separate electric utility system derived from payments by the Electric System.

"Option Bonds" means Subordinate Bonds that the Owner thereof may at his, her or its option demand the purchase of such Subordinate Bonds by or on behalf of the City in advance of the scheduled dates for the payment of principal and interest thereon.

"Outstanding" means, as of any date, all Subordinate Bonds authenticated and delivered under this Subordinate Ordinance, except (a) Bonds theretofore cancelled or delivered to the Trustee for cancellation pursuant to Section 4.6, (b) Subordinate Bonds in substitution for which other Subordinate Bonds have been authenticated and delivered pursuant to Article IV, (c) Subordinate Bonds that are deemed to be no longer outstanding in accordance with Article XIII, (d) Subordinate Bonds that are deemed to be no longer outstanding in accordance with the Supplemental Ordinance pursuant to which such Subordinate Bonds were issued, and (e) Subordinate Bonds held by or on behalf of the City.

"Owner" means the person in whose name a Subordinate Bond is registered.

"Paying Agent" means the Paying Agent or any bank or banks designated as Paying Agent by the City in accordance with applicable laws of the State of Washington now or hereinafter in effect.

"Payment Agreement" means a written contract or agreement between the City and a Reciprocal Payor:

(a) that is entered into with respect to specified Subordinate Bonds;

(b) that is for a term not later than the final maturity date of such Subordinate Bonds;

(c) under which the City is obligated to pay, on one or more specified City Payment Dates, City Payments in exchange for the Reciprocal Payor's obligation to pay or cause to be paid to the City, on specified City Payment Dates, Reciprocal Payments;

(d) for which the City's obligations to make City Payments is secured by Revenues on a parity basis with the Subordinate Bonds;

(e) under which City Payments are made at a fixed or variable rate based on a notional amount which does not exceed the principal amount of such Subordinate Bonds;

(f) under which Reciprocal Payments are made at a variable or fixed rate based on the same notional amount; and

(g) which is formally designated by the City as a Payment Agreement with respect to such Subordinate Bonds.

"Permitted Investments" means investments that are now or may hereafter be permitted to the City by the laws of the State of Washington.

"Person" means any individual, corporation, not for profit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

"Principal Account" means the Subordinate Bonds Principal Account established pursuant to Section 8.2.

"Rate Stabilization Fund" means the fund of that name previously established by the City and existing with respect to the Electric System.

"Rating Agencies" means Moody's, S&P and Fitch and any other nationally recognized credit rating agency selected by the City.

"Reciprocal Payment" means each regularly scheduled payment to be made to or for the benefit of the City under a Payment Agreement by the Reciprocal Payor.

"Reciprocal Payor" means the party to a Payment Agreement that is obligated to make Reciprocal Payments thereunder and that has or whose obligations are unconditionally guaranteed by a party that has (as of the date of the Payment Agreement) a rating in one of the three highest rating categories (without regard to sub-categories) from at least two Rating Agencies.

"Reserve Account" means the Electric System Subordinate Reserve Account established pursuant to Section 8.3.

"Reserve Account Facility" means (a) an irrevocable letter of credit issued by a financial institution which maintains an office, agency, or branch in the United States; and (b) a non-cancelable municipal bond insurance policy or surety bond issued by an insurance provider licensed to conduct an insurance business in any state of the United States, in each case which is used to fund all or a part of the Reserve Account Requirement and the provider of which (or such instrument) is rated in one of the two highest long-term rating categories (without regard to sub-categories) by both Moody's and S&P.

"Reserve Account Facility Provider" means the provider of a Reserve Account Facility.

"Reserve Account Requirement" means, with respect to any Subordinate Bonds, an amount equal to the lesser of (a) maximum Annual Debt Service in any Fiscal Year, and (b) 125 percent of average Annual Debt Service, in each case following the date of computation, or such other amount (which may be zero) as set forth in the Supplemental Ordinance authorizing the issuance of such Subordinate Bonds. A Supplemental Ordinance authorizing Subordinate Bonds may establish a separate reserve account for such Subordinate Bonds or provide that such Subordinate Bonds be secured by a common reserve account.

"Revenue Fund" means the fund of that name previously established by the City and existing with respect to the Electric System.

"Revenues" means all income (including investment income), receipts, and revenues received by the City through the ownership and operation of the

Electric System, including any income derived by the City through the ownership and operation of any facilities that may hereafter be purchased, constructed, or otherwise acquired and operated by the City as a separate utility system, which income is available after meeting all requirements of the obligations of such separate system and is paid into the Revenue Fund. Revenues shall not include income from investment of money in any construction fund and other investment income restricted to a particular purpose inconsistent with its use for the payment of debt service on the Subordinate Bonds.

"S&P" means Standard & Poor's Ratings Services and its successors and assigns, except that if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities credit rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities credit rating agency selected by the City.

"Securities Depository" means DTC and any substitute nationally recognized securities depository selected by the City.

“Senior Bonds” means all bonds issued and at any time outstanding under the Senior Bond Ordinance.

“Senior Bond Ordinance” means Ordinance No. 23514, adopted on November 20, 1985, as supplemented and amended, including as amended and restated by Ordinance No. 28146, adopted on April 30, 2013.

“Senior Lien Bond Fund” means the Bond Fund created by Section 7.2 of the Senior Bond Ordinance for the Senior Bonds.

"Serial Bonds" means Subordinate Bonds other than Term Bonds.

"Sinking Fund Requirement" means, for any Fiscal Year, the amount required on account of any Term Bonds to be deposited in the Bond Retirement Account and applied in such Fiscal Year to the mandatory redemption thereof prior to maturity as established by the Supplemental Ordinance authorizing the issuance of such Term Bonds.

"State" means the State of Washington.

“Subordinate Ordinance” means this Ordinance No. _____, adopted on April __, 2015.

"Subordinate Bonds" means the bonds, notes, warrants, certificates of indebtedness or any other evidence of indebtedness issued pursuant hereto.

"Supplemental Ordinance" means any ordinance amending, modifying, or supplementing the provisions of this Subordinate Ordinance or any Supplemental Ordinance in each case which is adopted pursuant to the terms hereof.

“Tax-Exempt Bonds” means Subordinate Bonds, the interest on which in the opinion of Bond Counsel as of the date of issuance thereof is not includable in gross income for federal income tax purposes under Section 103(a) of the Code.

"Term Bonds" means Subordinate Bonds which are subject to mandatory redemption prior to maturity from Mandatory Sinking Fund Payments.

“Trustee” means the trustee with respect to the Bonds appointed pursuant to this Subordinate Ordinance.

"Uniform System of Accounts" means the Federal Energy Regulatory Commission (or its successor in function) Uniform System of Accounts prescribed for Class A and Class B Public Utilities and Licenses, as the same may be modified, amended, or supplemented from time to time.

"Variable Rate Bonds" means Subordinate Bonds the interest on which is not fixed to the maturity date thereof.

Section 1.2. Rules of Interpretation. For purposes of this Subordinate Ordinance, except as otherwise expressly provided or the context otherwise requires:

(a) The words “herein,” “hereof” and “hereunder” and other similar words refer to this Subordinate Ordinance as a whole and not to any particular Article, Section or other subdivision.

(b) The definitions in this Article are applicable whether the terms defined are used in the singular or the plural.

(c) All accounting terms that are not defined in this Subordinate Ordinance have the meanings assigned to them in accordance with generally accepted accounting principles applicable to municipalities, including municipal electric utilities.

(d) Any pronouns used in this Subordinate Ordinance include both the singular and the plural and cover both genders.

(e) Any terms defined elsewhere in this Subordinate Ordinance have the meanings attributed to them where defined.

(f) The captions or headings herein are for convenience of reference only and in no way define, limit or describe the scope or intent, or control or affect the meaning or construction, of any provisions or Sections hereof.

(g) Any references to Section numbers are to Sections of this Subordinate Ordinance unless stated otherwise.

(h) The terms "include" and "including" when used in this Subordinate Ordinance mean "without limitation."

Section 1.3. Content of Certificates and Opinions. Every certificate or opinion provided for in this Subordinate Ordinance with respect to compliance with any provision hereof shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) a statement (i) that, in the opinion of such person, such person has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter and (ii) that such person has made or caused to be made such person's examination or investigation with respect to the subject matter in accordance with any applicable professional standards; and (d) a statement as to whether, in the opinion of such person, such provision has been complied with. Any such certificate or opinion made or given by an officer or employee of the City may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant or an

independent consultant, unless such officer or employee knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based is erroneous. Any such certificate or opinion made or given by counsel, an accountant or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City) upon a certificate or opinion of or representation by an officer or employee of the City, unless such counsel, accountant or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based is erroneous. The same officer or employee of the City, or the same counsel or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Subordinate Ordinance, but different officers, employees, counsel, accountants or independent consultants may certify to different matters, respectively.

ARTICLE II

THE SENIOR BONDS

Section 2.1. Senior Bonds. The pledge, lien and charge of the Senior Bonds on Revenues and the obligation of the City to deposit Revenues into the Senior Lien Bond Fund established by the Senior Bond Ordinance have priority over the pledge, lien and charge of the Subordinate Bonds on Revenues. Notwithstanding anything to the contrary contained in this Subordinate

Ordinance, any separate money, assets or security other than Revenues pledged to or provided for Subordinate Bonds shall be security only for such Subordinate Bonds and shall not be available for payment of the Senior Bonds or any other series of Bonds issued pursuant to the terms of this Subordinate Ordinance except as may be provided in any Supplemental Ordinance.

ARTICLE III

AUTHORIZATION OF SUBORDINATE BONDS

Section 3.1. Authorization of Subordinate Bonds. There is hereby created and established an issue of revenue bonds of the City designated generally as "City of Tacoma, Washington, Electric System Subordinate Revenue Bonds" (the "Subordinate Bonds"), which may be issued for any lawful purpose of the Electric System. The maximum principal amount of Subordinate Bonds that may be issued hereunder is not limited except as provided herein. Each series of Subordinate Bonds shall bear such separate or additional designation as may be necessary or appropriate to distinguish such series from other series of Subordinate Bonds. The Subordinate Bonds shall be issued in such series as from time to time shall be authorized by the City Council pursuant to a Supplemental Ordinance, subject to the covenants, provisions and conditions contained therein and herein.

Section 3.2. Series of Bonds; Terms of Supplemental Ordinances. The Supplemental Ordinance authorizing a series of Subordinate Bonds shall specify (or provide the method for specifying) for such Subordinate Bonds, among other things:

(a) The purposes of the Subordinate Bonds and the application of proceeds thereof;

(b) The principal amount of the Subordinate Bonds;

(c) The dated date or dates, maturity date or dates and interest payment date or dates of the Subordinate Bonds;

(d) The authorized denominations and series designation of the Subordinate Bonds;

(e) The interest rate or rates on such Subordinate Bonds, which may be fixed or variable, and/or the method for determining such rates, and whether the Subordinate Bonds are Serial Bonds, Term Bonds or Capital Appreciation Bonds;

(f) Any provisions for optional or mandatory redemption of the Subordinate Bonds, including the date or dates and price or prices thereof, and any Sinking Fund Requirements;

(g) The method and places for payment of the Subordinate Bonds;

(h) The form or forms of the Subordinate Bonds;

(i) The terms and conditions, if any, for the optional or mandatory tender for purchase of the Subordinate Bonds, including the purchase date or dates, the purchase price or prices and other applicable terms;

(j) The authorization of and any terms and conditions with respect to any Credit Facility or Reserve Account Facility for the Subordinate Bonds; and

(k) The tender agents, remarketing agents, or other similar parties with respect to the Subordinate Bonds; and

(l) Any other provisions which the City deems necessary or desirable in connection with the Subordinate Bonds and not inconsistent with the terms of this Subordinate Ordinance.

ARTICLE IV

GENERAL TERMS AND PROVISIONS OF SUBORDINATE BONDS

Section 4.1. Form; Execution and Authentication of Subordinate Bonds. The Subordinate Bonds of each series shall be in such form or forms as shall be provided in the Supplemental Ordinance authorizing the issuance thereof. The Subordinate Bonds shall be executed on behalf of the City with the manual or facsimile signature of the Mayor and attested with the manual or facsimile signature of the City Clerk and the seal of the City shall be imprinted or impressed thereon.

Only Subordinate Bonds bearing a Certificate of Authentication in the form set forth in the Supplemental Ordinance authorizing the execution thereof, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of the Subordinate Ordinance. The authorized execution of the Certificate of Authentication shall be conclusive evidence that the Subordinate Bond so authenticated has been duly executed,

authenticated, and delivered and is entitled to the benefits of this Subordinate Ordinance.

In case any of the officers who shall have signed or attested any of the Subordinate Bonds shall cease to be such officers before the Subordinate Bonds so signed or attested shall have been actually delivered, such Subordinate Bonds shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed or attested such Subordinate Bonds had not ceased to be such officers.

Section 4.2. Temporary Bonds. Prior to the preparation of definitive Subordinate Bonds the City may issue and deliver temporary Subordinate Bonds in registered form and in such denominations as the City may determine but otherwise in substantially the form provided for such definitive Subordinate Bonds with appropriate variations, omissions and insertions. The City shall promptly prepare, execute and deliver to the Trustee definitive Subordinate Bonds and, upon presentation and surrender of Subordinate Bonds in temporary form, the Trustee shall authenticate and deliver in exchange therefor definitive Subordinate Bonds of the same maturity for the same aggregate principal amount. Until exchanged for definitive Subordinate Bonds, Subordinate Bonds in temporary form shall be entitled to the lien and benefit of this Subordinate Ordinance and the Supplemental Ordinance authorizing the issuance thereof.

Section 4.3. Registration, Transfer and Exchange, and Payments.. The following provisions shall apply to each series of Subordinate Bonds unless

otherwise provided in the Supplemental Ordinance authorizing the issuance thereof.

(a) Bond Registrar and Bond Register. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Subordinate Bonds (the "Bond Register"), which shall be open to inspection by the City. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Subordinate Bonds transferred or exchanged in accordance with the provisions of such Subordinate Bonds and this Subordinate Ordinance and to carry out all of the Bond Registrar's powers and duties under this Subordinate Ordinance. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Subordinate Bonds.

(b) Registered Ownership. The City and the Bond Registrar may deem and treat the registered Owner of each Subordinate Bond as shown on the Bond Register as the absolute owner thereof for all purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Subordinate Bond made as provided herein shall be valid and shall satisfy the liability of the City upon such Subordinate Bond to the extent of the amount so paid.

(c) Bond Registrar's Ownership of Subordinate Bonds. The Bond Registrar may become the registered owner of any Subordinate Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or

directors to act as member of, or in any other capacity with respect to, any committee formed to protect the rights of the registered owners of the Subordinate Bonds.

(d) Transfer or Exchange of Registered Ownership; Change in Denominations. The registered ownership of any Subordinate Bond may be transferred or exchanged, but no transfer of any Subordinate Bond shall be valid unless it is surrendered to the Bond Registrar with an assignment in a form satisfactory to the Bond Registrar duly executed by the Owner or such Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Subordinate Bond and shall authenticate and deliver, without charge to the Owner or transferee, a new Subordinate Bond (or Subordinate Bonds at the option of the new Owner) of the same series, date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Owner the person or persons listed as the assignee on the assignment form, in exchange for such surrendered and canceled Subordinate Bond. Any Subordinate Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Subordinate Bonds of the same series, date, maturity, and interest rate in any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any Subordinate Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in

the case of any proposed redemption of the Subordinate Bonds, after the mailing of notice of the call of such Subordinate Bonds for redemption.

(e) Place and Medium of Payment. Both principal of and interest on the Subordinate Bonds shall be payable in lawful money of the United States of America. Interest on the Subordinate Bonds shall be paid by checks or drafts mailed by the Bond Registrar on the interest payment date to the registered Owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date or, at the request of an owner of $1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to an account in the United States designated in writing by such owner prior to the record date. Principal of the Subordinate Bonds shall be payable upon presentation and surrender of the Subordinate Bonds by the registered Owners at the principal office of the Bond Registrar at the option of the owners. Notwithstanding the foregoing, as long as the Subordinate Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Subordinate Bonds shall be made in the manner set forth in the Letter of Representations.

Section 4.4. Securities Depository Provisions. The following provisions shall apply to each series of Subordinate Bonds unless otherwise provided in the Supplemental Ordinance authorizing the issuance thereof.

(a) Each series of Subordinate Bonds shall be Book-Entry Bonds initially registered in the name of Cede & Co., as nominee of DTC.

(b) All payments of principal, premium, if any, and interest on the Book-Entry Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set forth in the Letter of Representations. The terms and provisions of the Letter of Representations shall govern in the event of any inconsistency between the provisions of this Subordinate Ordinance and the Letter of Representations. The Letter of Representations may be amended without Owner consent.

(c) The book-entry registration system for a series of Book-Entry Bonds may be terminated and certificates delivered to and registered in the name of the Beneficial Owners, under either of the following circumstances: (i) the Securities Depository notifies the City and the Trustee that it is no longer willing or able to act as Securities Depository for such series of Book-Entry Bonds and a successor Securities Depository for such series of Book-Entry Bonds is not appointed by the City prior to the effective date of such discontinuation; or (ii) the City determines that continuation of the book-entry system through the Securities Depository is not in the best interest of the City or the Beneficial Owners of such series of Subordinate Bonds.

(d) In the event a successor Securities Depository is appointed by the City, such series of Book-Entry Bonds will be registered in the name of such successor Securities Depository or its nominee. In the event certificates are required to be issued to Beneficial Owners, the Trustee and the City shall be fully protected in relying upon a certificate of the Securities Depository or any

participant of the Securities Depository as to the identity of and the principal amount of Book-Entry Bonds held by such Beneficial Owners.

(e) The Beneficial Owners will not receive physical delivery of certificates except as provided herein. All Book-Entry Bonds shall be registered in the name of the Securities Depository or its nominee, all transfers of beneficial ownership interests in Book-Entry Bonds will be made in accordance with the rules of the Securities Depository, and no Person purchasing, selling or otherwise transferring beneficial ownership interests in Book-Entry Bonds will receive, hold or deliver any certificate representing such beneficial ownership interests. The City and the Trustee shall have no responsibility or liability for transfers of beneficial ownership interests in Book-Entry Bonds.

(f) The City and the Trustee will recognize the Securities Depository or its nominee as the Owner of Book-Entry Bonds for all purposes, including receipt of payments, notices and voting; provided, that the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Owners of a related portion of the Subordinate Bonds when such votes are received in compliance with an omnibus proxy of the Securities Depository or otherwise pursuant to the rules of the Securities Depository or the provisions of the Letter of Representations or other comparable evidence delivered to the Trustee.

(g) Neither the City nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of any Securities Depository or any other Person with respect to any ownership interest in Book-

Entry Bonds, (ii) the delivery to any Person, other than an Owner, of any notice with respect to Book-Entry Subordinate Bonds, including any notice of redemption or refunding, (iii) the selection of the particular Subordinate Bonds or portions thereof to be redeemed or refunded in the event of a partial redemption or refunding of part of the Subordinate Bonds Outstanding or (iv) the payment to any Person, other than an Owner, of any amount with respect to the principal, premium, if any, or interest on Book-Entry Bonds.

Section 4.5. Mutilated, Lost or Destroyed Bonds. If any Subordinate Bonds are mutilated, lost, stolen or destroyed, the City shall execute and the Bond Registrar shall authenticate and deliver a new Subordinate Bond or Subordinate Bonds of like series, amount, maturity and tenor to the Owner upon the Owner paying the expenses and charges of the Bond Registrar and the City in connection therewith and upon his or her filing with the Bond Registrar and the City evidence satisfactory to both that such Subordinate Bond or Subordinate Bonds were actually mutilated, lost, stolen or destroyed and of his or her ownership thereof, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to both.

Section 4.6. Cancellation and Disposition of Bonds. The City may deliver Bonds to the Trustee for cancellation at any time and for any reason and the Trustee is hereby authorized to cancel such Bonds. All Bonds that have been paid or delivered to the Trustee for cancellation shall not be reissued.

Section 4.7. Disposition of Unclaimed Funds. Notwithstanding any provisions of this Subordinate Ordinance, and subject to applicable unclaimed

property laws, any money deposited with the Trustee in trust for the payment of the principal, purchase price or redemption premium of or interest on the Subordinate Bonds remaining unclaimed for two (2) years after the payment thereof, to the extent permitted by applicable law, shall be paid to City for credit to the Electric System, whereupon all liability of the Trustee with respect to such money shall cease, and the Owners of such Subordinate Bonds shall thereafter look solely to the City for payment of any amounts then due. All moneys held by the Trustee and subject to this Section shall be held uninvested without liability for interest thereon.

ARTICLE V

REDEMPTION OF SUBORDINATE BONDS

Section 5.1. Terms of Redemption. Subordinate Bonds may be called for redemption by the City as provided herein or in the Supplemental Ordinance authorizing the issuance thereof.

Section 5.2. Selection of Subordinate Bonds for Redemption; Partial Redemption. If less than all of a series of Subordinate Bonds are called for redemption, they shall be redeemed from maturities in such order as determined by the City, and by lot within any maturity subject to selection by the Trustee as provided below. The portion of any Subordinate Bond to be redeemed shall be an authorized denomination and in selecting Subordinate Bonds for redemption, each Subordinate Bond shall be considered as representing that number of Subordinate Bonds which is obtained by dividing the principal amount of such Subordinate Bond by the minimum authorized

denomination thereof. If less than all of the outstanding principal amount of any Subordinate Bond is redeemed, upon surrender of that Subordinate Bond to the Bond Registrar, there shall be issued to the Owner, without charge, a new Subordinate Bond (or Subordinate Bonds, at the option of the Owner) of the same series, maturity and interest rate in any authorized denomination in the aggregate principal amount remaining unredeemed. The principal portion of any Subordinate Bond registered in the name of the Securities Depository which is to be partially redeemed shall be selected in accordance with the Letter of Representations. If a Subordinate Bond ceases to be held in book-entry form, the portion to be partially redeemed shall be selected randomly in such manner as the Bond Registrar shall determine.

Section 5.3. Notice of Redemption.

(a) Notice of Redemption. When Subordinate Bonds (or portions thereof) are to be redeemed, the City shall give or cause to be given notice of the redemption of such Subordinate Bonds to the Bond Registrar no later than 40 days prior to the date fixed for redemption or such shorter time as may be acceptable to the Trustee. While a Subordinate Bond is registered in the name of the Securities Depository, notice of redemption shall be given as required in accordance with the Letter of Representations. If a Subordinate Bond ceases to be held in book-entry form, unless waived by the Owner of the Subordinate Bond to be redeemed, the City shall cause notice of an intended redemption of Subordinate Bonds to be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage

prepaid, to the Owner of each Subordinate Bond to be redeemed at the address appearing on the Bond Register. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner of any Subordinate Bond. In addition, the redemption notice shall be mailed or sent electronically within the same period to (i) the Rating Agencies, (ii) nationally recognized clearing agencies for municipal bonds, and (iii) nationally recognized information services with respect to municipal bond redemptions, but these additional notices shall not be a condition precedent to the redemption of a Subordinate Bond.

(b) Contents of Notice. The redemption notice shall contain with respect to each Subordinate Bond being redeemed: (i) the CUSIP number, if any, (ii) the date of issue, (iii) the interest rate, (iv) the maturity date, (v) the redemption date, (vi) the principal amount being redeemed, and (vii) any other descriptive information as determined by the Trustee.

(c) Rescission of Optional Redemption Notice. In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the optional redemption of those Subordinate Bonds by giving a notice of rescission to the affected Owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and a Subordinate Bond for which a notice of optional redemption has been rescinded shall remain outstanding.

Section 5.4. Effect of Redemption. Interest on Subordinate Bonds called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund (or in an irrevocable escrow account established to refund or defease the Subordinate Bonds redeemed).

Section 5.5. Open Market Purchases. The City reserves the right to purchase any or all of the Subordinate Bonds in the open market at any time at any price acceptable to the City. The principal amount of Term Bonds purchased and delivered to the Trustee for cancellation pursuant to this Section may be credited against future Sinking Fund Requirements as the City shall specify in writing to the Trustee.

ARTICLE VI

CONDITIONS FOR ISSUANCE OF SUBORDINATE BONDS; PAYMENT AGREEMENTS

Section 6.1. Conditions for Issuance of Subordinate Bonds.

(a) No Default. Subordinate Bonds may be issued pursuant to this Subordinate Ordinance only if at the time of the issuance of such Subordinate Bonds, (i) there is no deficiency in the Bond Fund, and (ii) no Event of Default has occurred and is continuing.

(b) Additional Bonds Certificate. Prior to the issuance of any Subordinate Bonds there shall be on file with the Trustee either:

(i) A certificate of the Finance Director stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the authentication and delivery of the Subordinate Bonds then proposed to be issued, as determined from the audited financial statements of the Electric System, were not less than 100 percent of maximum Annual Debt Service in any future Fiscal Year on all outstanding Senior Bonds and Subordinate Bonds and the Subordinate Bonds then proposed to be issued; provided, that in the event that any revision in the rates, fees and charges collected by the City for the services of the Electric System shall be effective at any time from the first day of such 12-month period through the date of authentication and delivery of the Subordinate Bonds then proposed to be issued, the Finance Director shall set forth in the certificate the change in Net Revenues he or she estimates would have occurred for such 12-month period if such revised rates, fees, and charges had been in effect for the entire such 12-month period; or

(ii) A certificate of a Consulting Engineer stating that projected Net Revenues for each Fiscal Year for the period beginning with the first Fiscal Year following the earlier of (A) the date to which interest has been capitalized or (B) the weighted average date of initial operation of the facilities to be financed by such Subordinate Bonds, and ending with the fifth Fiscal Year after such date, are at least equal to 100 percent of projected maximum Annual Debt

Service in any future Fiscal Year on all outstanding Senior Bonds and Subordinate Bonds and the Subordinate Bonds then proposed to be issued.

(c) Refunding Bonds. Subordinate Bonds may also be issued from time to time for the purpose of providing proceeds, together with any other available funds, for refunding and defeasing at or prior to their stated maturity or maturities any Outstanding Senior Bonds or Subordinate Bonds, including interest and any redemption premium thereon, and any expenses incident to the issuance of such Subordinate Bonds and the defeasance of such refunded Senior Bonds or Subordinate Bonds. Subordinate Bonds shall not be issued under this subsection unless the proceeds thereof, together with other available funds, and interest from the investment thereof, shall be sufficient to pay the principal of and the redemption premium, if any, on the bonds to be refunded and the interest which will become due and payable on and prior to the date of their payment or redemption, and the expenses incident to the issuance of such Subordinate Bonds. If Subordinate Bonds are to be issued under this subsection, there shall be filed with the Trustee a certificate signed by the Finance Director showing that the maximum Annual Debt Service in any Fiscal Year thereafter shall not be increased by more than $5,000 by reason of the issuance of such Subordinate Bonds.

(d) Consulting Engineer Projections. (i) The Consulting Engineer may base its projection of Net Revenues in each Fiscal Year on such factors as he, she or it shall consider reasonable.

(ii) The Consulting Engineer shall base its projection of Annual Debt Service in each Fiscal Year on the then Outstanding Senior Bonds and Subordinate Bonds plus any Senior Bonds or Subordinate Bonds which are projected to be issued during the period covered by such certificate to complete construction of facilities financed by such Outstanding Senior Bonds and Subordinate Bonds and the Subordinate Bonds proposed to be issued.

(e) Refunding of All Subordinate Obligations; Junior Lien Obligations. Nothing contained herein shall prevent the City from refunding at one time all of the Subordinate Bonds then outstanding. Nothing contained herein shall prevent the City from issuing obligations payable from a pledge, lien and charge on Revenues that is junior and subordinate to the Subordinate Bonds.

Section 6.2. Additional Conditions for Issuance of Subordinate Bonds. Each series of Subordinate Bonds shall be executed by the City and delivered to the Trustee and thereupon authenticated by the Trustee only upon receipt by the Trustee of the following additional items:

(a) A copy of this Subordinate Ordinance, including the Supplemental Ordinance authorizing the issuance of such series of Subordinate Bonds, certified by the City Clerk;

(b) A written opinion of Bond Counsel to the effect that (i) such series of Subordinate Bonds are valid and binding limited obligations of the City, and (ii) the Subordinate Ordinance, including the Supplemental Ordinance authorizing the issuance of such series of Subordinate Bonds, has been duly passed and is a valid and binding obligation of the City;

(c) An Order of the City as to the delivery of such series of Subordinate Bonds;

(d) A Certificate of the City stating that (i) no Event of Default, nor any event or condition which with notice and/or the passage of time would constitute an Event of Default, has occurred and is continuing under this Subordinate Ordinance as of the date of issuance of such series of Subordinate Bonds and (ii) the issuance of such series of Bonds, in and of itself, will not cause an Event of Default under this Subordinate Ordinance; and

(e) The deposit into the Reserve Account or other reserve account for such series of Subordinate Bonds of money, Permitted Investments, or a Reserve Account Facility or any combination of the foregoing in an aggregate amount equal to the Reserve Account Requirement or other reserve account requirement, if any, for such series of Subordinate Bonds.

(f) The Finance Director and the Consulting Engineer, as appropriate, shall include in any Certificate delivered pursuant to this Section a description of the assumptions, analyses, methodologies, and statistical and other information from the City or third persons used in producing its projections of Net Revenues.

Section 6.3. Payment Agreements.

(a) The City may enter into a Payment Agreement with respect to Subordinate Bonds if the City delivers to the Trustee:

(i) the certificate required by Section 6.1(b)(i) or (ii), taking into account the City Payments and Reciprocal Payments obligated to be made

thereunder with respect to such Subordinate Bonds as adjustments to the interest payable on such Subordinate Bonds; and

(ii) an opinion of Bond Counsel to the effect that the Payment Agreement has been duly authorized by the City, is authorized and permitted by this Subordinate Ordinance, and is a valid and binding obligation of the City, and will not adversely affect the excludability for federal income tax purposes of the interest on any Tax-Exempt Bonds.

(b) If the City enters into a Payment Agreement with respect to Subordinate Bonds, any net City Payments shall be made from the Interest Account in the Bond Fund and Reciprocal Payments shall be deposited in the Interest Account in the Bond Fund.

(c) Payments by the City under the Payment Agreement other than City Payments, including any termination payments, shall be payable and secured on a basis junior and subordinate to the Subordinate Bonds.

ARTICLE VII

CONTRACT RESOURCE OBLIGATIONS

Section 7.1. Creation of Separate Systems. The City may create, acquire, construct, finance, own and operate one or more additional electric utility systems for the generation or transmission of electric power and energy. The City may declare any such system to be a separate utility system the revenues of which may be pledged to the payment of revenue obligations issued to finance such separate utility system. The City may provide by Supplemental Ordinance that the costs associated with any such separate utility

system shall, upon compliance with Section 7.2, constitute a Contract Resource Obligation.

Section 7.2. Contract Resource Obligations. The City may enter into or undertake a Contract Resource Obligation if the following requirements are met at the time the Contract Resource Obligation is incurred:

(a) No Event of Default has occurred and is continuing.

(b) There shall be on file with the Trustee a certificate of the Consulting Engineer in the form provided in Section 6.1(b)(ii) with respect to such Contract Resource Obligation.

(c) There shall be on file with the Trustee a written opinion of the Consulting Engineer to the following effects:

(i) If the Contract Resource Obligation is for power, energy, capacity or reserves, that (A) such Contract Resource Obligation is sound from a power supply planning standpoint, and is technically and economically feasible in accordance with prudent utility practice; and (B) the estimated cost thereof is reasonable.

(ii) If the Contract Resource Obligation is for transmission services, that (A) such Contract Resource Obligation will be necessary or desirable within a reasonable time after the estimated date of commercial operation of the related transmission facilities; and (B) the estimated cost thereof is reasonable.

ARTICLE VIII

SPECIAL FUNDS AND ACCOUNTS

Section 8.1. Revenue Fund.

(a) The City of Tacoma Electric System Revenue Fund has heretofore been created and shall be continued. The City covenants and agrees that it will pay or cause to be paid all Revenues into the Revenue Fund as promptly as practicable after receipt thereof. The Revenues in the Revenue Fund shall be held by the City in trust for the equal and ratable benefit of Owners of the Senior Bonds and the Subordinate Bonds subject to application thereof in accordance with the provisions of the Senior Bond Ordinance and this Subordinate Ordinance. The City will hold the Revenue Fund separate and distinct from all other funds of the City.

(b) There have heretofore been created and there shall be continued in the Revenue Fund two accounts known as (i) the General Account and (ii) the Operating Account, which accounts shall be held and used for the purposes hereinafter described. The Revenues paid into the Revenue Fund shall first be credited to the General Account and thereafter applied and used only for the following purposes and in the following order of priority:

First, to make all payments required to be made into the Operating Account to pay Operating Expenses;

Second, to make all payments required to be made into the Bond Fund established by the Senior Bond Ordinance with respect to the Senior Bonds;

Third, to make all payments required to be made pursuant to a Qualified Letter of Credit or Qualified Insurance with respect to the Senior Bonds, unless such payments are contractually obligated to be paid under *Second*, above;

Fourth, to make all payments required to be made into the Interest Account in the Bond Fund for the payment of accrued interest on the next interest payment date;

Fifth, to make all payments required to be made into the Principal Account in the Bond Fund for the payment of the maturing principal amount of Bonds next coming due, and into the Bond Retirement Account in the Bond Fund for the mandatory redemption of Term Bonds;

Sixth, to make all payments required to be made to pay or reimburse a Credit Provider pursuant to the terms of any Credit Facility with respect to such Subordinate Bonds, unless such payments are obligated to be paid under *Fourth* through *Fifth*, above;

Seventh, to make all payments required to be made into the Reserve Account in the Bond Fund created to secure the payment of the Subordinate Bonds, including any amounts necessary to pay or reimburse a Reserve Account Facility Provider pursuant to a Reserve Account Facility;

Eighth, to make all payments required to be made into any special fund or account created to pay or secure the payment of the principal of and interest on any revenue bonds, warrants, or other revenue obligations of the City having a lien upon Net Revenues and money in the Revenue Fund and accounts

therein junior and inferior to the lien thereon for the payment of the principal of and interest on the Subordinate Bonds;

Ninth, to pay any taxes (or payments in lieu of taxes) upon the properties or earnings of the Electric System payable to the City;

Tenth, to deposit into the Rate Stabilization Fund the amounts budgeted or appropriated to be deposited therein; and

Eleventh, for any other lawful purpose of the City related to the Electric System.

Notwithstanding the foregoing, so long as any Senior Bonds are Outstanding, the obligation of the City to deposit Revenues into the bond funds established under the Senior Bond Ordinance shall have priority over the foregoing obligation of the City to deposit Revenues into the Bond Fund.

Section 8.2. Bond Fund.

(a) Creation. There is hereby created a special fund of the City designated as the "Electric System Subordinate Revenue Bond Fund" (the “Bond Fund”). The Bond Fund shall be used solely for the purposes of paying the principal of, premium, if any, and interest on Subordinate Bonds, and retiring Subordinate Bonds prior to maturity in the manner provided herein or in any Supplemental Ordinance. The Bond Fund shall contain four accounts: the Interest Account, the Principal Account, the Bond Retirement Account, and the Reserve Account. At the option of the City, separate subaccounts may be created in the Bond Fund for the purpose of paying or securing the payment of principal of, premium, if any, and interest on any Subordinate Bonds.

(b) Deposits from Revenues. The City hereby obligates and binds itself irrevocably to set aside and to pay into the Bond Fund out of the Revenues certain fixed amounts, without regard to any fixed proportion of such Revenues, sufficient (together with other available funds on hand and paid into the Bond Fund) to pay the principal of, premium, if any, and interest on all Subordinate Bonds from time to time Outstanding as the same respectively become due and payable, either at the maturity thereof or in accordance with the terms of any Sinking Fund Requirement established for the retirement of Term Bonds. The fixed amounts to be paid into the Bond Fund, to the extent that such payments are not made from bond proceeds or from other money that may legally be available therefor, shall be as follows and in the following order of priority:

(i) No later than the day on which an installment of interest falls due on any Subordinate Bonds, the City shall pay into the Interest Account in the Bond Fund (together with such other money as is on hand and available in such account) an amount equal to the installment of interest then falling due on all outstanding Subordinate Bonds.

(ii) No later than the date upon which maturing principal of Subordinate Bonds comes due, the City shall pay into the Principal Account in the Bond Fund an amount (together with such other money as is on hand and available in such account) equal to the principal then coming due on all outstanding Subordinate Bonds.

(iii) No later than the date upon which a sinking fund installment on Term Bonds falls due, the City shall pay into the Bond Retirement Account in the Bond Fund an amount (together with such other money as is on hand and available in such account) equal to the Sinking Fund Requirement for such date.

(c) Application. The City shall apply all the money paid into the Bond Retirement Account to the redemption of Term Bonds on the next ensuing Sinking Fund Requirement due date pursuant to the terms of the applicable Supplemental Ordinance. The City may apply the money paid into the Bond Retirement Account for the purpose of retiring Term Bonds by the purchase of such Bonds in the open market at a purchase price (including any brokerage charge) not in excess of the principal amount thereof, in which event the principal amount of such Term Bonds so purchased shall be credited against any Sinking Fund Requirement next coming due.

Money in the Bond Fund shall be transmitted to the Paying Agent in amounts sufficient to pay the principal of, premium, if any, and interest on the Subordinate Bonds when due. All money remaining in the Bond Fund after provision for the payment in full of the principal of, premium, if any, and interest on all Outstanding Subordinate Bonds shall be returned to the Revenue Fund.

The Bond Fund shall be drawn upon solely for the purpose of paying the principal of, premium, if any, and interest on Subordinate Bonds or paying or reimbursing Credit Providers for such payments if so provided in the Supplemental Ordinance with respect to a series of Subordinate Bonds. Money

set aside from time to time with the Paying Agent for such payment shall be held in trust for the Owners of the Subordinate Bonds in respect of which the same shall have been so set aside. Until so set aside, all money in the Bond Fund shall be held in trust for the benefit of the Owners of all Subordinate Bonds at the time outstanding equally and ratably.

Notwithstanding any provision of this Subordinate Ordinance to the contrary, if and to the extent provided in a Supplemental Ordinance, (i) deposits may be made by the City into the Bond Fund and the accounts therein for the purpose of providing for City Payments with respect to Subordinate Bonds of a series, (ii) Reciprocal Payments may be deposited into the Bond Fund and the accounts therein, (iii) City Payments may be made out of the Bond Fund and the accounts therein, (iv) City Payments may be secured by amounts in the Reserve Account, and (v) the Reciprocal Payor may be granted a pledge of, lien on and security interest in such Bond Fund to secure such City Payments.

Notwithstanding any provision of this Subordinate Ordinance to the contrary, so long as any Senior Bonds are Outstanding, the obligation of the City to deposit Revenues into the bond funds established under the Senior Bond Ordinance shall have priority over the obligation of the City to deposit Revenues into the Bond Fund.

Section 8.3. Reserve Account.

(a) Funding of Reserve Account. Except as otherwise provide in the Supplemental Ordinance authorizing the issuance of Subordinate Bonds, following the issuance of such Subordinate Bonds the City shall make

approximately equal monthly payments into the Bond Fund for credit to the Reserve Account from the money in the Revenue Fund so that by no later than five years from the date of issuance of such Subordinate Bonds there will be credited to the Reserve Account an amount, together with amounts already on deposit therein, equal to the Reserve Account Requirement. The Supplemental Ordinance authorizing the issuance of such Subordinate Bonds may provide for deposit into the Bond Fund for credit to the Reserve Account from the proceeds of such Subordinate Bonds or from any other money lawfully available therefor to fund some portion or all of the increase in the Reserve Account Requirement, if any, as a result the issuance of such Subordinate Bonds.

(b) Valuation. Subject to the preceding paragraphs of this subsection, the money and value of Permitted Investments in the Reserve Account shall be determined as of the last Business Day of each Fiscal Year and maintained at an amount at least equal to the Reserve Account Requirement, except where it is necessary to make a transfer therefrom to the Interest Account, Principal Account, or Bond Retirement Account because of an insufficiency of money therein to make any required payment of principal of, premium, if any, or interest on any Subordinate Bonds when due.

If at any time the money and value of Permitted Investments in the Reserve Account exceed the amount of money and value of Permitted Investments then required to be maintained therein, such excess may be transferred to the City for deposit in the General Account in the Revenue Fund.

For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account shall have been invested shall be valued at the market value thereof. If the value of the amount in the Reserve Account is less than the Reserve Account Requirement the City shall transfer from the General Account an amount necessary to fully fund the Reserve Account Requirement.

(c) Reserve Account Facilities. The City may satisfy all or any portion of the Reserve Account Requirement by the deposit in the Reserve Account of a Reserve Account Facility. Upon the expiration of any Reserve Account Facility, the Reserve Account shall be replenished in accordance with the first two paragraphs of this Section, as if the Subordinate Bonds that remain Outstanding had been issued on the date of such expiration.

(d) Deficiencies. If there is a deficiency in the Interest Account, Principal Account, or Bond Retirement Account in the Bond Fund, the City shall promptly deposit amounts therein from the Reserve Account sufficient to make up any such deficiency. The City shall withdraw moneys in the Reserve Account to make up any such deficiency prior to drawing on any Reserve Account Facility in sufficient amount to make up the deficiency. The City shall replenish any withdrawal from the Reserve Account for payment into the Interest Account, Principal Account or Bond Retirement Account from money in the Revenue Fund first available after providing for the required deposits into such Interest, Principal, and Bond Retirement Accounts.

Section 8.4. Construction Fund. There is hereby created a special fund named the "City of Tacoma Electric System Subordinate Bonds Construction Fund" (the "Construction Fund"), and a separate account therein for each series of Subordinate Bonds. The Construction Fund shall be held and administered by the City. Immediately upon the issuance, sale and delivery of a series of the Subordinate Bonds, the City shall pay or cause to be paid into the account in the Construction Fund for such series such amount of the proceeds derived from the sale of such series of Subordinate Bonds as shall be designated pursuant to the Supplemental Ordinance authorizing the issuance thereof. Money so deposited in the account in the Construction Fund shall be applied to the costs of issuance of such series of Bonds and to the costs of acquiring and constructing the additions, betterments and improvements to, and repairs, renewals and replacements of, the Electric System or other lawful purposes of the Electric System to be funded out of the proceeds of such series of Subordinate Bonds.

Section 8.5. Investment of Funds. Money in the Funds and Accounts established and held pursuant to this Subordinate Ordinance shall be invested in accordance with the City's investment policy. Money held in the Revenue Fund, the Construction Fund, the Rate Stabilization Fund, and the Interest Account, Principal Account, and Bond Retirement Account in the Bond Fund shall be invested and reinvested at the direction of the City solely in, and obligations deposited in such accounts shall consist of, Permitted Investments which shall mature on or prior to the respective dates when the money held for

the credit of such Funds and Accounts will be required for the purposes intended. Money in the Reserve Account in the Bond Fund not required for immediate disbursement for the purposes for which such Account is created shall be invested and reinvested at the direction of the City solely in Permitted Investments maturing or subject to redemption at the option of the owner thereof within 5 years from the date of such investment. Except to the extent there are deficiencies in any account in the Bond Fund, all income received from the investment of money in any account in the Bond Fund, shall from time to time be deposited in the Revenue Fund, or credited against the monthly amount required to be deposited in such account.

ARTICLE IX

PLEDGE OF REVENUES; COVENANTS TO SECURE SUBORDINATE BONDS

The City covenants and agrees with the Owners of the Subordinate Bonds from time to time Outstanding as follows:

Section 9.1. Security for Subordinate Bonds.

(a) The Subordinate Bonds and all other amounts due under any Credit Facilities are special limited obligations of the City payable from and secured solely by Revenues after the payment of Operating Expenses on a basis junior and subordinate to the Senior Bonds, and by other money and assets specifically pledged hereunder or under a Supplemental Ordinance for the payment thereof. There are hereby pledged as security for the payment of the principal of, premium, if any, and interest on all Subordinate Bonds and all

other amounts due any under Credit Facilities in accordance with the provisions of this Subordinate Ordinance, subject only to the provisions of this Subordinate Ordinance restricting or permitting the application thereof for the purposes and on the terms and conditions set forth herein: (i) the proceeds of the sale of the Subordinate Bonds to the extent held in funds established by this Subordinate Ordinance (but only to the Subordinate Bonds) , (ii) Revenues, and (iii) the money and investments, if any, credited to the Revenue Fund and the Bond Fund (but only to the Subordinate Bonds), and the income therefrom. The pledge of and lien and charge on Revenues herein made shall be irrevocable until there are no Subordinate Bonds Outstanding and all amounts owing under any Credit Facilities have been paid. The Revenues and other money and securities hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the City regardless of whether such parties have notice thereof.

(b) All Subordinate Bonds now or hereafter outstanding and all other amounts due under any Credit Facilities, respectively, shall be equally and ratably payable and secured hereunder without priority by reason of date of adoption of the ordinance providing for their issuance or by reason of their series, number or date of sale, issuance, execution or delivery, or by the liens, pledges, charges, trusts, assignments, and covenants made herein, except as otherwise expressly provided or permitted in this Subordinate Ordinance.

Except as otherwise provided herein, the pledge of and lien and charge on the Revenues to pay and secure the payment of Subordinate Bonds and all other amounts due under any Credit Facilities are hereby declared to be junior and subordinate to the pledge, lien and charge thereon to pay and secure the payment of the Senior Bonds and prior and superior to all other liens and charges of any kind or nature.

(c) No money may be removed from the Revenue Fund for transfer to any fund of the City not described in this Subordinate Ordinance while any deficiency exists and is continuing in any payment required by this Subordinate Ordinance into the Bond Fund or any account therein including the Reserve Account.

(d) The Subordinate Bonds shall not in any manner or to any extent constitute general obligations of the City or of the State of Washington, or any political subdivision of the State of Washington, or a charge upon any general fund or upon any money or other property of the City or of the State of Washington, or of any political subdivision of the State of Washington, not specifically pledged thereto by this Subordinate Ordinance. Neither the full faith and credit nor the taxing power of the City, the State of Washington, or any political subdivision of the State of Washington, is pledged to the payment of the Subordinate Bonds. The Subordinate Bonds shall not constitute indebtedness of the City within the meaning of the constitutional and statutory provisions and limitations of the State of Washington.

Section 9.2. Rate Covenant — General. The City shall establish, maintain and collect rates and charges for services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System that shall be adequate to provide Revenues sufficient for the punctual payment of the principal of, premium, if any, and interest on the Senior Bonds and the Subordinate Bonds for which the payment has not otherwise been provided, for all payments which the City is obligated to make into the Senior Bond Fund and the Bond Fund, and for the proper operation and maintenance of the Electric System, including payment of all Contract Resource Obligations included in the Electric System's Operating Expenses pursuant hereto, and all necessary repairs, replacements, and renewals thereof, including the payment of all taxes, assessments, or other governmental charges lawfully imposed on the Electric System or the Revenues therefrom, or payments in lieu thereof, and the payment of all other amounts that the City may now or hereafter become obligated to pay from the Revenues by law or contract.

Section 9.3. Rate Covenant — Debt Service Coverage. The City shall also establish, maintain and collect rates and charges which shall be adequate to provide, in each Fiscal Year, Net Revenues in an amount equal to at least 100 percent of Annual Debt Service for such year on the Senior Bonds and the Subordinate Bonds.

Solely for purposes of calculating the coverage requirement set forth above, there shall be added to Revenues in any Fiscal Year any amount withdrawn from the Rate Stabilization Fund in such Fiscal Year and deposited

in the Revenue Fund, and there shall be subtracted from Revenues in any Fiscal Year any amount withdrawn from the Revenue Fund and deposited in the Rate Stabilization Fund.

Section 9.4. Restrictions on Obligations Secured by Revenues.

(a) Except for Senior Bonds and as otherwise provided herein, the City will not hereafter create any other special fund or funds for the payment of revenue bonds, warrants, or other revenue obligations, or issue any bonds, warrants, or other obligations or create any additional indebtedness that will rank prior to the pledge of and charge and lien on the Revenues or properties of the Electric System created herein to secure the payment of the principal of and interest on the Subordinate Bonds.

(b) Except as otherwise provided herein, the City will not hereafter create any other special fund or funds for the payment of revenue bonds, warrants or other revenue obligations, or issue any bonds, warrants or other obligations or create any additional indebtedness that will rank on a parity with the charge and lien on the Revenues or properties of the Electric System for the payments into the Bond Fund.

(c) The City may issue bonds, notes, warrants, or other obligations payable from and secured by a pledge of and charge and lien on the Revenues of the Electric System that is junior and subordinate or inferior to the lien on such Revenues securing the Subordinate Bonds and may create a special fund or funds for payment of such obligations.

Section 9.5. Covenant to Maintain System in Good Condition. The City shall at all times maintain, preserve, and keep, or cause to be maintained, preserved, and kept, the properties of the Electric System and all additions and betterments thereto and extensions thereof and every part and parcel thereof, in good repair, working order and condition, and will from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, extensions and betterments thereto so that at all times the business carried on in connection therewith shall be properly and advantageously conducted. The City will at all times operate such properties and the business in connection therewith or cause such properties and business to be operated in an efficient manner and at a reasonable cost.

Section 9.6. Covenant to Comply with Licenses. The City shall at all times comply with the terms and conditions of any permits or licenses for the Electric System, or any property or facilities constituting a part thereof, issued by any federal or state governmental agency or body having jurisdiction thereof and with the power to issue orders with respect thereto and enforce the same, and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Electric System. The City shall use its best efforts to obtain renewals of such permits or licenses or obtain new permits or licenses unless such renewals or new permits or licenses are not, in the judgment of the Board, in the best interests of the City.

Section 9.7. Covenants Concerning Disposal of Properties of Electric System. The City shall not sell, mortgage, lease, or otherwise dispose

of the properties of the Electric System except as provided by law and subject to such additional restrictions as are provided in this Section.

(a) The City will not sell or otherwise dispose of the Electric System in its entirety unless simultaneously with such sale or other disposition, provision is made for the payment, redemption, or other retirement of all Subordinate Bonds then outstanding and all other amounts due under any Credit Facilities.

(b) Except as provided in subsection (c) below, the City will not sell or otherwise dispose of any part of the Electric System in excess of 5 percent of the value of the net utility plant of the Electric System unless provision is made for the payment, redemption, or other retirement of a principal amount of Subordinate Bonds equal to the greater of the following amounts:

(i) An amount that will be in the same proportion to the net principal amount of Subordinate Bonds then outstanding (defined as the total principal amount of such Subordinate Bonds outstanding less the amount of cash and investments in the Principal Account and Bond Retirement Account in the Bond Fund) that the revenues attributable to the part of the Electric System sold or disposed of for the 12 preceding months bears to the total revenues for such period; or

(ii) An amount that will be in the same proportion to the net principal amount of Subordinate Bonds then outstanding that the book value of the part of the Electric System sold or disposed of bears to the book value of the entire Electric System immediately prior to such sale or disposition.

(c) The City may sell or otherwise dispose of any part of the Electric System which shall have become unserviceable, inadequate, obsolete, or unfit to be used in the operation of the Electric System, or no longer necessary, material to or useful in such operation.

(d) The proceeds of sale of any part of the Electric System shall be deposited in the Revenue Fund.

No sale of any part of the Electric System valued in excess of 10 percent of the book value of the physical assets of the Electric System, shall be made unless, in the opinion of a Consulting Engineer, following such sale the City would still be able to satisfy the requirements of Section 9.2 and of the first paragraph of Section 9.3.

Section 9.8. Insurance. The City shall either self-insure in such manner and to such extent as the City shall determine to be necessary and appropriate or, or to the extent insurance coverage is available at reasonable cost with responsible insurers, keep, or cause to be kept, the Electric System and the operation thereof insured, with policies payable to the City, against the risks of direct physical loss, damage to or destruction of the Electric System, or any part thereof, and against accidents, casualties, or negligence, including liability insurance and employer's liability, at least to the extent that similar insurance is usually carried by utilities operating like properties.

In the event of any insured loss or damage, the City will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy for that purpose; or in the event the City should

determine not to repair or reconstruct such damaged portion of the properties of the Electric System, the proceeds of such insurance shall be paid into the debt service reserve account for the Senior Bonds and thereafter into Reserve Account, in each case to the extent that such transfer shall be necessary to make up any deficiency therein, and the balance, if any, shall at the option of the City, be used either for repairs, renewals, replacements, or capital additions to the Electric System or for the purchase, payment, or redemption of Senior Bonds or Subordinate Bonds.

Section 9.9. Condemnation. In the event of any loss or damage to the properties of the Electric System by reason of condemnation, the City will (i) with respect to each such loss, promptly replace, repair, and reconstruct to the extent necessary to the proper conduct of the operations of the Electric System the condemned portion thereof and shall apply the proceeds of any condemnation award for that purpose to the extent required therefor, and (ii) if the City shall not use the entire proceeds of such condemnation award to repair, replace, or reconstruct such lost or damaged property, such award not so used shall be paid into the Revenue Fund.

Section 9.10. Books of Account. The City shall keep proper books of account in accordance with the rules and regulations prescribed by the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or other State department or agency succeeding to such duties of the State Auditor's office, and if no such rules or regulations are prescribed as aforesaid then in substantial accordance with the Uniform System Of Accounts ,

whether or not the City is at the time required by law to use such system of accounts. The City shall cause its books of account to be audited annually by the State Auditor's office or other State department or agency as may be authorized and directed by law to make such audits, or if such an audit shall not be made for 12 months after the close of any Fiscal Year of the City, by Certified Public Accountants.

Section 9.11. Covenant Not to Render Service Free of Charge. So long as any Subordinate Bonds are Outstanding, the City shall not furnish or supply or permit the furnishing or supplying of any commodity, service, or facility furnished by or in connection with the operation of the Electric System free of charge to any person, firm, or corporation, public or private, and the City will maintain and enforce reasonable procedures for the payment of any and all accounts owing to the City and delinquent, by discontinuing service or by filing suits, actions, or proceedings, or by both discontinuance of service and filing suit.

Section 9.12. Covenant to Make Only Sound Improvements. The City shall not expend any money in the Revenue Fund or the proceeds of Subordinate Bonds or other obligations for any renewals, replacements, extensions, betterments and improvements to the Electric System that are not economically sound and that will not properly and advantageously contribute to the conduct of the business of the Electric System in an efficient and economical manner or that are not mandated by law or regulation.

Section 9.13. Covenant to Pay Bond Principal and Interest Punctually. The City shall duly and punctually pay or cause to be paid, but only from Revenues and other money pledged therefor under this Subordinate Ordinance, the principal of, premium, if any, and interest on each and every Subordinate Bond on the dates and at the places and in the manner provided herein and in such Subordinate Bonds, according to the true intent and meaning thereof, and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Subordinate Bonds and in this Subordinate Ordinance.

Section 9.14. Covenant to Pay Taxes, Assessments and Other Claims. The City shall from time to time duly pay and discharge, or cause to be paid and discharged, when the same shall become due, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the Electric System or the Revenues, and all claims for labor and materials and supplies that, if not paid, might become a lien or charge upon the Electric System, or any part thereof, or upon the Revenues (prior to the lien thereon for the payment of the Subordinate Bonds), or that might in any way impair the security of the Subordinate Bonds, except taxes, assessments, charges, or claims that the City shall in good faith contest by proper legal proceedings.

Section 9.15. Protection of Security. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and the rights of the Owners under this Subordinate Ordinance

against all claims and demands of all Persons whatsoever (other than claims of the owners of the Senior Bonds).

Section 9.16. Tax Covenants. The City covenants that it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any Tax-Exempt Bonds under Section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of the Tax-Exempt Bonds in such a manner as would adversely affect the exclusion of interest on any Tax-Exempt Bonds from gross income under Section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of any Tax-Exempt Bonds, or of any facilities financed thereby, or other funds of the City, or take or omit to take any action, that would cause any Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury promulgated thereunder to the extent such requirements are, at the time, in effect and applicable to the Tax-Exempt Bonds. In the event that at any time the City is of the opinion that for purposes of this Section it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under this Subordinate Ordinance, the City shall so instruct the Trustee in writing, and the Trustee shall take such action as may be directed in such instructions. Terms used but not otherwise defined in this Section shall have the meanings set forth in the Code.

Section 9.17. Further Assurances. The City shall at any and all times, insofar as it may be authorized to do so by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, assignments, instruments and assurances as may be necessary or desirable for the better assuring, granting, pledging, assigning and confirming any and all of the rights, revenues, funds and other property hereby granted, pledged or assigned to pay or secure the payment of the Bonds, in the manner and to the extent provided herein.

ARTICLE X

SUPPLEMENTS AND AMENDMENTS

Section 10.1. Amendments without Consent of Owners. The City may adopt at any time and from time to time without the consent of the Owners of any Subordinate Bonds an ordinance or ordinances supplemental to or amendatory of this Subordinate Ordinance and any Supplemental Ordinance theretofore enacted for any one or more of the following purposes:

(a) To provide for the issuance of Subordinate Bonds and to prescribe the terms and conditions thereof in accordance with the provisions of this Subordinate Ordinance;

(b) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee that are not contrary to or inconsistent with this Subordinate Ordinance as then in effect or

to subject to the pledge, charge and lien of this Subordinate Ordinance additional revenues, properties or collateral;

(c) To add covenants and agreements of the City for the purpose of further securing the payment of the Subordinate Bonds;

(d) To prescribe further limitations and restrictions upon the City's ability to issue bonds and incur indebtedness payable from the Revenues;

(e) To surrender any right, power, or privilege reserved to or conferred upon the City by the terms of this Subordinate Ordinance;

(f) To confirm as further assurance any pledge under, and the subjection to any lien, charge or pledge created or to be created by, the provisions of this Subordinate Ordinance of the Revenues or of any other money, securities, or funds;

(g) To cure any ambiguity or defect or inconsistent provision of this Subordinate Ordinance or any Supplemental Ordinance or to insert such provisions clarifying matters or questions arising under this Subordinate Ordinance or any Supplemental Ordinance as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with this Subordinate Ordinance or any Supplemental Ordinance as theretofore in effect;

(h) To add such provisions as the City shall deem necessary in order to preserve the tax-exempt status of any Tax-Exempt Bonds; or

(i) Make any other change herein that the Trustee determines shall not be materially adverse to the interests of the Owners and which does not

involve a change described in the following Section requiring the consent of Owners.

Section 10.2. **Amendments with Consent of Owners**. With the prior written consent of the Owners of a majority in aggregate principal amount of the Subordinate Bonds at the time Outstanding, and in case the supplement or amendment does not apply to all of the Subordinate Bonds then Outstanding, then a majority in aggregate principal amount of the Subordinate Bonds at the time Outstanding to which it does apply, the City may pass an ordinance or ordinances supplemental hereto or to any Supplemental Ordinance for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Subordinate Ordinance or of any Supplemental Ordinance, but no such Supplemental Ordinance shall:

(a) Extend the fixed maturity of any Subordinate Bonds or the time of payment of interest thereon from the established due date, or reduce the rate of interest thereon or the amount of the principal thereof, or reduce any premium payable on the redemption thereof, or accelerate any redemption provision, without the written consent of the Owner of each Subordinate Bond so affected;

(b) Reduce the aforesaid percentage of Owners required to approve any such Supplemental Ordinance, without the written consent of the Owners of all of the Subordinate Bonds then outstanding;

(c) Give to any Subordinate Bond any preference over any other Subordinate Bond; or

(d) Authorize the creation of any pledge, charge or lien prior to or, except as provided herein for the issuance of Subordinate Bonds, on a parity with the pledge afforded by this Subordinate Ordinance, without the consent of the Owner of each such Subordinate Bond affected thereby.

It shall not be necessary for Owners to approve the particular form of any proposed Supplemental Ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

Notice of any Supplemental Ordinance enacted pursuant to this Section shall be given to the Owners promptly following the enactment thereof by the City.

Section 10.3. Consent of Owners and Opinions. Each Supplemental Ordinance enacted pursuant to the provisions of Section 10.2 shall take effect only when and as provided in this Section. A copy of such Supplemental Ordinance (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to the Owners, at the expense of the City, by first class mail, postage prepaid; provided, that a failure to mail such request shall not affect the validity of the Supplemental Ordinance when consented to as provided below. Such Supplemental Ordinance shall not be effective unless and until there shall have been filed with the Trustee the written consents of Owners of the percentage of Subordinate Bonds specified in Section 10.2 given as provided in Section 14.9. Any such consent shall be binding upon the Owner giving such consent and

upon any subsequent Owner of such Subordinate Bonds and of any Subordinate Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner of such Subordinate Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the required percentage of consents.

Section 10.4. Filing of Supplemental Ordinances. No Supplemental Ordinance shall become effective until delivered to the Trustee together with an opinion of Bond Counsel to the effect that such Supplemental Ordinance is authorized or permitted by this Subordinate Ordinance, has been duly enacted, and is a valid and binding obligation of the City.

ARTICLE XI

DEFAULTS AND REMEDIES

Section 11.1. Events of Default. The following shall constitute "Events of Default" under this Subordinate Ordinance:

(a) If default shall be made in the payment of the principal of or premium, if any, on any Subordinate Bond when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise;

(b) If default shall be made in the payment of interest on any Subordinate Bond when the same shall become due and payable; or

(c) If the City shall default in the observance and performance of any other of the covenants, conditions, and agreements on the part of the City contained in this Subordinate Ordinance or in any ordinance of the City

authorizing Subordinate Bonds and such default or defaults shall have continued for a period of 90 days after the City shall have received from the Trustee or from the Owners of not less than 25 percent in principal amount of the Subordinate Bonds Outstanding a written notice specifying and demanding the cure of such default; provided, that if the default is one which cannot be completely remedied within 90 days after written notice, it shall not be an Event of Default as long as the City has taken active steps within the 90 days after written notice to remedy the default and is diligently pursuing such remedy; or

(d) An "Event of Default" as specified in the Senior Bond Ordinance; or

(e) An "Event of Default" specified in a Supplemental Ordinance authorizing the issuance of a series of Subordinate Bonds.

Section 11.2. Remedies upon Default. The Trustee may, upon the happening of an Event of Default, and during the continuance thereof, take such steps and institute such suits, actions, or other proceedings at law or in equity in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Owners to collect any amounts due and owing by the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement, or condition contained in this Subordinate Ordinance, or in any of the Subordinate Bonds; provided, that nothing herein shall limit the remedies of any Credit Provider under any Credit Facility.

Section 11.3. Priority of Payment Following Event of Default. If at any time after the occurrence of an Event of Default the money held by the Trustee under this Subordinate Ordinance shall not be sufficient to pay the Subordinate Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of remedies in this Article or otherwise, shall be applied by the Trustee first to the payments of all amounts due to the Trustee under Section 12.5 and then to the payment of the amounts and in the order of priority set forth in Section 8.1(b).

Section 11.4. Owners May Direct Proceedings. The Owners of a majority in aggregate principal amount of the Outstanding Subordinate Bonds shall, subject to the requirements of Section 12.2(e), have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder; provided, that such direction shall not be in conflict with any rule of law or this Subordinate Ordinance and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unduly prejudicial to the rights of Owners not parties to such direction or would subject the Trustee to personal liability or expense. Notwithstanding the foregoing, the Trustee shall have the right to select and retain counsel of its choosing to represent it in any such proceedings. The Trustee may take any other action which is not inconsistent with any direction under this Section.

Section 11.5. Waiver of Defaults.

(a) The Owners of a majority in aggregate principal amount of the Outstanding Subordinate Bonds may, by written notice to the Trustee, waive any existing default or Event of Default and its consequences, except an Event of Default under Section 11.1(a), (b) and (d). Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any default or Event of Default shall extend to or effect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

(b) Notwithstanding any provision of this Subordinate Ordinance to the contrary, in no event shall any person, other than all of the affected Owners, have the ability to waive any Event of Default under this Subordinate Ordinance if such event results or may result, in the opinion of Bond Counsel, in interest on any of the Tax-Exempt Bonds becoming includable in gross income for federal income tax purposes.

Section 11.6. Notice of Events of Default. If an Event of Default occurs of which the Trustee has or is deemed to have notice under Section 12.2(h), the Trustee shall give prompt notice thereof to the City. Promptly and in any event within five Business Days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each Owner of Subordinate Bonds then Outstanding.

Section 11.7. Possession of Subordinate Bonds Not Required. Any action, suit, or other proceeding instituted by the Trustee hereunder shall

be brought in its name as trustee for the Owners and all such rights of action upon or under any of the Subordinate Bonds or the provisions of this Subordinate Ordinance may be enforced by the Trustee without the possession of any of said Subordinate Bonds, and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the respective Owners of said Subordinate Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Trustee the true and lawful trustee of the respective Owners of said Subordinate Bonds, with authority to institute any such action, suit, or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of said Subordinate Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the Owner himself might have done in person.

Section 11.8. Trustee May File Proofs of Claim.

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under the federal bankruptcy code relating to the City, any other obligor upon the Subordinate Bonds or any property of the City, the Trustee (whether or not the principal of the Subordinate Bonds shall then be due and payable, and whether or not the Trustee shall have made any demand upon the City for the payment of overdue principal, premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means: (i) to file and prove a claim for the whole amount of the principal,

premium, if any, and interest owing and unpaid in respect of the Subordinate Bonds then Outstanding or for breach of this Subordinate Ordinance and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel) and of the Owners allowed in such proceeding; and (ii) to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same; and each Owner, by holding the Subordinate Bonds, thereby authorizes any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel, and any other amounts due the Trustee under Section 12.5.

(b) Nothing herein contained shall be deemed to authorize or empower the Trustee to consent to accept or adopt, on behalf of any Owner of said Subordinate Bonds, any plan or reorganization or adjustment affecting the said Subordinate Bonds or any right of any Owner thereof, or to authorize or empower the Trustee to vote the claims of the Owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization, or other proceeding to which the City shall be a party.

Section 11.9. Limitations on Rights of Owners. No Owner of any one or more of said Subordinate Bonds shall have any right to institute any action, suit, or proceeding at law or in equity for the enforcement of same, unless (a) an Event of Default shall have happened and be continuing; (b) the Owners of a majority in aggregate principal amount of the Outstanding Subordinate Bonds have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names; (c) the Trustee has been offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred; (d) the Trustee has declined to comply with such request, or has failed to do so, within 60 days after its receipt of such written request and offer of indemnity; and (e) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Outstanding Subordinate Bonds. Any remedy herein authorized to be exercised by the Trustee may be exercised individually by any Owner, in his own name and on his own behalf or for the benefit of all Owners; provided, however, that nothing in this Subordinate Ordinance or in any Subordinate Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay from Revenues the principal of, redemption premium, if any, and interest on said Subordinate Bonds to the respective Owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

Section 11.10. Remedies Granted in Ordinance Not Exclusive. The remedies herein conferred upon or reserved to the Owners of the Subordinate Bonds and to the Trustee are not intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. The privileges herein granted shall be exercised from time to time and continued so long as and as often as the occasion therefor may arise and no waiver of any default hereunder, whether by the Trustee or by the Owners of Subordinate Bonds, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon. The assertion or employment of any right or remedy hereunder shall not prevent the concurrent assertion or employment of any other appropriate right or remedy. No delay or omission of the Owners or of the Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein.

Section 11.11. Restoration of Rights and Remedies. If the Trustee or any Owner has instituted any proceeding to enforce any right or remedy under this Subordinate Ordinance, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Owner, then the City, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored to their former

positions hereunder, and all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

ARTICLE XII

TRUSTEE

Section 12.1. Appointment; Duties and Responsibilities of the Trustee.

(a) The initial Trustee with respect to the Subordinate Bonds shall be appointed as provided by the Supplemental Ordinance authorizing the issuance of the first series of Subordinate Bonds.

(b) Prior to the occurrence of an Event of Default of which it has or is deemed to have notice hereunder, and after the curing or waiver of any Event of Default that may have occurred: (i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Subordinate Ordinance, and no implied covenants or obligations shall be read into this Subordinate Ordinance against the Trustee; and (ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee that conform to the requirements of this Subordinate Ordinance; but the Trustee is under a duty to examine such certificates and opinions to determine whether they conform to the requirements of this Subordinate Ordinance.

(c) In case an Event of Default of which the Trustee has or is deemed to have notice hereunder has occurred and is continuing, the Trustee shall

exercise such of the rights and powers vested in it by this Subordinate Ordinance, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(d) No provision of this Subordinate Ordinance shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that: (i) this subsection shall not be construed to limit the effect of subsection (b) of this Section; (ii) the Trustee is not liable for any error of judgment made in good faith by an authorized officer of the Trustee, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts; (iii) the Trustee is not liable with respect to any action it takes or omits to be taken by it in good faith in accordance with the direction of the Owners under any provision of this Subordinate Ordinance relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Subordinate Ordinance; and (iv) no provision of this Subordinate Ordinance shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) The Trustee shall maintain proper books of record and accounts in which complete and correct entries shall be made of all investments and

disbursements of proceeds in the Funds through the date ending six (6) years following the date on which all the Subordinate Bonds have been retired, and such records shall be available for inspection by the City upon reasonable notice.

(f) Whether or not expressly so provided, every provision of this Subordinate Ordinance relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this Section.

Section 12.2. Certain Rights of the Trustee. Except as otherwise provided in Section 12.1:

(a) The Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any statement or certification of the City under this Subordinate Ordinance shall be sufficiently evidenced by a Certificate of the City (unless other evidence thereof is specifically prescribed), any request, direction, order or demand of the City under this Subordinate Ordinance shall be sufficiently evidenced by an Order of the City (unless other evidence thereof is specifically prescribed) and any ordinance or resolution of the City Council may be sufficiently evidenced by a copy thereof certified by the Secretary of the City Council;

(c) Whenever in the administration of this Subordinate Ordinance the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon a Certificate of the City;

(d) The Trustee may consult with counsel and the written advice of such counsel or an opinion of Bond Counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion;

(e) The Trustee is under no obligation to exercise any of the rights or powers vested in it by this Subordinate Ordinance at the request or direction of any of the Owners unless the Owners have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the Owners of a majority in aggregate principal amount of the Outstanding Subordinate Bonds;

(f) The Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it

may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the City, in person or by agent or attorney;

(g) The Trustee may execute any of its trusts or powers or perform any duties under this Subordinate Ordinance either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in Section 12.5, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;

(h) The Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except an Event of Default under Section 9.1(a), unless an officer of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the City or the Owners of at least 25 percent in aggregate principal amount of the Outstanding Subordinate Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists;

(i) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Subordinate Ordinance;

(j) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Owners, each representing

less than a majority in aggregate principal amount of the Outstanding Subordinate Bonds, pursuant to the provisions of this Subordinate Ordinance, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(k) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Subordinate Ordinance shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of this Subordinate Ordinance and final payment of the Subordinate Bonds;

(l) The permissive right of the Trustee to take the actions permitted by this Subordinate Ordinance shall not be construed as an obligation or duty to do so; and

(m) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Subordinate Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Subordinate Bonds.

Section 12.3. Trustee Not Responsible for Recitals. The recitals contained in this Subordinate Ordinance and in the Subordinate Bonds (other than the certificate of authentication on the Subordinate Bonds) are

statements of the City, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Subordinate Bonds, the right, title or interest of the City therein, the security provided thereby or by this Subordinate Ordinance or the tax status of interest on the Subordinate Bonds. The Trustee is not accountable for the use or application by the City of any of the Subordinate Bonds or the proceeds of the Subordinate Bonds, or for the use or application of any money paid over by the Trustee in accordance with any provision of this Subordinate Ordinance.

Section 12.4. Trustee May Own Subordinate Bonds. The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Subordinate Bonds and may join in any action which any Owner may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the City and may act as depository, trustee or agent for any committee of Owners secured hereby or other obligations of the City as freely as if it were not Trustee. The provisions of this Section shall extend to affiliates of the Trustee.

Section 12.5. Compensation and Expenses of the Trustee.

(a) The City hereby covenants and agrees:

(i) to pay to the Trustee compensation for all services rendered by it hereunder and under the other agreements relating to the Subordinate Bonds to which the Trustee is a party in accordance with terms

agreed to from time to time, and, subsequent to default, in accordance with the Trustee's then-current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a trustee of an express trust);

(ii) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Subordinate Ordinance, any other agreement relating to the Subordinate Bonds to which it is a party or in complying with any request by the City or any securities credit rating agency with respect to the Subordinate Bonds, including the reasonable compensation, expenses and disbursements of its agents and counsel, except any such expense, disbursement or advance attributable to the Trustee's negligence or bad faith; and

(iii) to indemnify, defend and hold the Trustee harmless from and against any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the office of Trustee under this Subordinate Ordinance, including the costs of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder or thereunder.

(b) In the event the Trustee incurs expenses or renders services in any proceedings under federal or state bankruptcy law relating to the City, the expenses so incurred and compensation for services so rendered are intended

to constitute expenses of administration under federal or state bankruptcy law. As security for the performance of the obligations of the City under this Section, the Trustee shall have a lien prior to the lien securing the Subordinate Bonds and Payment Agreement Payments, which it may exercise through a right of setoff, upon all property or funds held or collected by the Trustee pursuant to this Subordinate Ordinance. The obligations of the City to make the payments described in this Section shall survive discharge of this Subordinate Ordinance, the resignation or removal of the Trustee and payment in full of the Subordinate Bonds.

Section 12.6. Qualifications of the Trustee. There shall at all times be a trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least $100,000,000, or is an affiliate of a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of this Section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so

published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign promptly in the manner and with the effect specified in this Article.

Section 12.7. Resignation or Removal of the Trustee; Appointment of Successor Trustee.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 12.8.

(b) The Trustee may resign at any time by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Owner of a Subordinate Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Trustee.

(c) Prior to the occurrence and continuance of an Event of Default hereunder, or after the curing or waiver of any such Event of Default, the City or the Owners of a majority in aggregate principal amount of the Outstanding Subordinate Bonds may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default hereunder, the Owners of a majority in aggregate principal amount of the Outstanding Subordinate Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be

accomplished by an instrument or concurrent instruments in writing signed by the City or such Owners, as the case may be, and delivered to the Trustee, the City and Owners of the Outstanding Subordinate Bonds.

(d) If at any time: (i) the Trustee shall cease to be eligible and qualified under Section 12.6 and shall fail or refuse to resign after written request to do so by the City or the Owner of any Subordinate Bond, or (ii) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (A) the City may remove the Trustee and appoint a successor Trustee in accordance with the provisions of subsection (c) of this Section; or (B) any Owner of a Subordinate Bond then Outstanding may, on behalf of the Owners of all Outstanding Subordinate Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

(e) The City shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each Owner of Subordinate Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

Section 12.8. Acceptance of Appointment by Successor Trustee.

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the City and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, without further act, deed or conveyance, become vested with all the estates, properties, rights, powers and duties of the predecessor Trustee. Upon the request of the City or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers and duties of the predecessor Trustee under this Subordinate Ordinance, shall duly assign, transfer, deliver and pay over to the successor Trustee all money and other property then held under this Subordinate Ordinance, subject, however, to the lien provided for in Section 12.5, and shall deliver to the successor Trustee, all records maintained by the predecessor Trustee with respect to the Funds and the Subordinate Bonds and such records shall be proper books of record and accounts containing complete and correct entries. The successor Trustee shall promptly give written notice of its appointment to the Owners of all Subordinate Bonds Outstanding in the manner prescribed herein, unless such notice has previously been given.

(b) No successor Trustee shall accept appointment as provided in this Section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of Section 12.6.

Section 12.9. Merger, Succession or Consolidation of Trustee. Any corporation or association: (a) into which the Trustee is merged or with which it is consolidated; (b) resulting from any merger or consolidation to which the Trustee is a party; or (c) succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee without the execution or filing of any document or the taking of any further action. Any such successor must nevertheless be eligible and qualified under the provisions of Section 12.6.

Section 12.10. Notices to Owners; Waiver.

(a) Where this Subordinate Ordinance provides for notice to Owners of any event, such notice shall be sufficiently given (unless otherwise expressly provided herein) if in writing and mailed, first-class postage prepaid, to each Owner affected by each event, at such Owner's address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Owners is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Owner shall affect the sufficiency of such notice with respect to other Owners. Where this Subordinate Ordinance provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such

waiver shall be the equivalent of such notice. Waivers of notice by Owners shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(b) With respect to Book-Entry Bonds, where this Subordinate Ordinance provides for notice to the Owners of the existence of, or during the continuance of, any Event of Default, or at any time upon the written request of the City, the Trustee, at the expense of the City, shall: (i) establish a record date for determination of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the participants holding positions in the Book-Entry Bonds affected by such notice as of the record date for such notice; (iii) mail, first class postage prepaid, copies of the notice as provided above to each participant identified in the securities position listing as holding a position in the Book-Entry Bonds as of the record date for the notice, to each nationally recognized municipal securities information repository and state information depository for the State of Washington, if any, and to any Person identified to the Trustee as a non-objecting Beneficial Owner pursuant to the immediately following clause; (iv) request that the participant retransmit the notice to all Persons for which it served as nominee on the record date, including non-objecting Beneficial Owners, or retransmit the notice to objecting Beneficial Owners and provide a listing of non-objecting Beneficial Owners for whom the participant served as nominee on the record date to the Trustee, (v) provide on behalf of the City and not as its agent, an undertaking of the City to pay to any participant or other

nominee (other than the Securities Depository) the reasonable costs of transmitting the notice to Persons for whom the participant acts as nominee; and (vi) provide as many copies of the notice as may be requested by any nominee owner of the Subordinate Bonds. Any default in performance of the duties required by this subsection shall not affect the sufficiency of notice to the Owners given in accordance with subsection (a) of this Section, or the validity of any action taken under this Subordinate Ordinance in reliance on such notice to Owners.

(c) Where this Subordinate Ordinance provides for notice to the Owners of any event, the form of the notice shall prominently include a title block, separate from the body of the notice, which shall include the following information: (i) the complete title of the Subordinate Bonds; (ii) the CUSIP number of each affected Subordinate Bond; (iii) the record date for the notice; and (iv) a summary of the notice.

(d) Any notice required or permitted by this Subordinate Ordinance to be given to the Securities Depository shall be given to it in the manner provided by this Section for giving notice to Owners, and also shall be given in the format requested by the Securities Depository to such address as may be specified by the Securities Depository in writing to the Trustee.

ARTICLE XIII

DISCHARGE AND DEFEASANCE

Section 13.1. Discharge. If (a) the principal of any Bonds and the interest due or to become due thereon together with any premium required by

redemption of any of such Bonds prior to maturity and all obligations to any Credit Providers and Reserve Account Facility Providers shall be paid, or is caused to be paid, or is provided for under Section 13.2, at the times and in the manner to which reference is made in such Bonds, Credit Facilities and Reserve Account Facilities, according to the true intent and meaning thereof, (b) and all City Payments and other payments due in accordance with the provisions of the Payment Agreements and this Subordinate Ordinance have been made, and (c) all of the covenants, agreements, obligations, terms and conditions of the City under this Subordinate Ordinance shall have been kept, performed and observed and there shall have been paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then the right, title and interest of the Trustee in all money and other property then held under this Subordinate Ordinance shall thereupon cease and the Trustee, on request of and at the expense of the City, shall release this Subordinate Ordinance and shall execute such documents to evidence such release as may be reasonably required by the City and shall turn over to the City, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds except for amounts required to pay such Bonds or held pursuant to Section 13.2.

Section 13.2. **Defeasance**. In the event that the City, in order to effect the payment, retirement, or redemption of any Subordinate Bond, sets aside in the Bond Fund or in another special account, held in trust by the Trustee, cash or Government Obligations in amounts and maturities which,

together with the known earned income therefrom, are sufficient to redeem or pay and retire such Subordinate Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Subordinate Bond. The owner of a Subordinate Bond so provided for shall cease to be entitled to any lien, benefit, or security of this Subordinate Ordinance except the right to receive payment of principal, premium, if any, and interest from such special account, such Subordinate Bond shall be deemed to be no longer Outstanding under this Subordinate Ordinance, and the Trustee shall hold such money, Government Obligations and earnings in trust exclusively for such Owner or Owners and such money, Government Obligations and earnings shall not secure any other Subordinate Bonds under this Subordinate Ordinance. In determining the sufficiency of the money and Government Obligations deposited pursuant to this Section, the Trustee shall receive, at the expense of the City, and may rely upon: (a) a verification report of a Certified Public Accountant; and (b) an opinion of Bond Counsel to the effect that (a) all conditions set forth in this Article have been satisfied, and (b) that defeasance of the Subordinate Bonds will not cause interest on any Tax-Exempt Bonds to be includable in gross income for federal income tax purposes. Upon such defeasance all rights of the City, including its right to provide for optional redemption of Subordinate Bonds on dates other than planned pursuant to such defeasance, shall cease unless

specifically retained by filing a written notification thereof with the Trustee on or prior to the date the Government Obligations are deposited with the Trustee.

Section 13.3. Notice of Defeasance.

(a) If money or Government Obligations have been deposited with the Trustee pursuant to Section 13.2 for payment of less than all Subordinate Bonds of a series and maturity, the Subordinate Bonds of such series and maturity to be so paid from such deposit shall be selected by the Trustee by lot by such method as shall provide for the selection of portions (in authorized denominations) of the principal of Subordinate Bonds of such series and maturity of a denomination larger than the smallest authorized denomination. Such selection shall be made within seven (7) days after the money or Government Obligations have been deposited with the Trustee. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Subordinate Bonds in Article V. After such selection is made, Subordinate Bonds that are to be paid from such deposit (including Subordinate Bonds issued in exchange for such Subordinate Bonds pursuant to the transfer or exchange provisions of this Subordinate Ordinance) shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Owners whose Subordinate Bonds (or portions thereof) have been selected for payment from the money or Government Obligations on deposit and shall direct such Owners to surrender their Subordinate Bonds to the Trustee in exchange for Subordinate Bonds with the appropriate designation. The selection of Subordinate Bonds for payment from such

deposit pursuant to this subsection shall be conclusive and binding on the City. The City shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of the deposit of money or Government Obligations, the selection of Subordinate Bonds to be redeemed including CUSIP numbers and the anticipated date of redemption. The Trustee shall promptly give such notice to the Owners including the information required under Section 5.3.

(b) In case any of the Subordinate Bonds, for the payment of which money or Government Obligations have been deposited with the Trustee pursuant to Section 13.2, are to be redeemed on any date prior to their maturity, the City, in addition to any notice required under subsection (a) of this Section, shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Subordinate Bonds on the date fixed for redemption for such Subordinate Bonds as provided in Section 5.3.

(c) In addition to the foregoing notice, in the event such Subordinate Bonds to be redeemed are not by their terms subject to redemption within the next succeeding 91 days, the Trustee shall give further notice to the Owners that the deposit required by Section 13.2 has been made with the Trustee and that said Subordinate Bonds are deemed to have been paid in accordance with this Article and stating the maturity or date fixed for redemption or dates upon which money is to be available for the payment of the principal of or premium, if any, on said Subordinate Bonds; such further notice shall be given promptly following the making of the deposit required by Section 13.2; and such further notice also shall be given in the manner set forth in Section 5.3(c); but no defect

in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of the deposit.

(d) If the City has retained any rights pursuant to the last sentence of Section 13.2, notice thereof shall be sent to Owners of such Subordinate Bonds as soon as practicable and not later than any notice required by subsections (a) or (b) of this Section.

ARTICLE XIV

MISCELLANEOUS

Section 14.1. Ordinance and Laws a Contract with Owners. This Ordinance is adopted under the authority of and in full compliance with the Constitution and laws of the State of Washington and the Charter of the City, each as amended and supplemented. In consideration of the purchase and acceptance of the Subordinate Bonds by those who shall hold the same from time to time, the provisions of this Subordinate Ordinance and of said laws shall constitute a contract with the owner or owners of each Subordinate Bond, and the obligations of the City under said acts and under this Subordinate Ordinance shall be enforceable by any court of competent jurisdiction. The covenants and agreements herein set forth to be performed on behalf of the City shall be for the equal benefit, protection, and security of the owners of any and all Subordinate Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction of any Subordinate Bonds over any others thereof except as expressly provided herein.

Section 14.2. No Personal Liability. No City Council or Board member, or officer, agent or employee of the City or the Trustee shall be individually or personally liable for the payment of the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such City Council or Board member, or officer, agent or employee of the City or the Trustee from the performance of any official duty provided by law or by this Subordinate Ordinance.

Section 14.3. Benefits of Ordinance Limited. Nothing in this Subordinate Ordinance, expressed or implied, is intended or shall be construed to confer upon or give to any person other than the City, the Trustee, the Paying Agents, the Bond Registrar, each Credit Provider, each Reserve Account Facility Provider, each Reciprocal Payor and the Owners from time to time of the Subordinate Bonds any rights, remedies, or claims under or by reason of this Subordinate Ordinance or any covenant, condition, or stipulation thereof; and all the covenants, stipulations, promises, and agreements in this Subordinate Ordinance contained by or on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, the Paying Agents, the Registrar, each Credit Provider, each Reserve Account Facility Provider each Reciprocal Payor and the Owners from time to time of the Subordinate Bonds.

Section 14.4. Credit Provider Rights. Except as otherwise provided in the Supplemental Ordinance authorizing the issuance of a series of Subordinate Bonds, if the Credit Provider with respect to such series of Subordinate Bonds (i) is not in default in respect of any of its payment

obligations under the Credit Facility with respect to such series of Subordinate Bonds, and (ii) is not bankrupt or insolvent, the following shall apply:

(a) Such Credit Provider, and not the actual Owners, shall be deemed to be the Owner of such series of Subordinate Bonds at all times for the purposes of (i) giving any approval or consent to the effectiveness of any Supplemental Ordinance other than a Supplemental Ordinance providing for (A) a change in the terms of redemption, purchase or maturity of the principal of any Outstanding Subordinate Bond of such series or any interest thereon or a reduction the principal amount thereof or the premium, if any, or the rate of interest thereon, or (B) a reduction in the percentage of Owners required to approve or consent to the effectiveness of any Supplemental Ordinance, and (ii) giving any approval or consent or exercising any remedies in connection with the occurrence of an Event of Default.

(b) Any amendment to this Subordinate Ordinance requiring the consent of Owners of such series of Subordinate Bonds shall also require the prior written consent of such Credit Provider.

(c) Any amendment to this Subordinate Ordinance not requiring the consent of Owners of such series of Subordinate Bonds shall require the prior written consent of such Credit Provider if its rights, remedies, security or interests shall be materially and adversely affected by such amendment.

(d) The prior written consent of such Credit Provider shall be a condition precedent to the substitution by the City of any reserve account credit

facility for cash deposited in any Reserve Account securing such series of Subordinate Bonds.

(e) Such Credit Provider shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner of such series of Subordinate Bonds in accordance with this Subordinate Ordinance.

(f) Such Credit Provider shall, to the extent it makes any payment of principal of, premium if any, or interest on such series of Subordinate Bonds, become subrogated to the rights of the recipients of such payments.

(g) The principal, premium, if any, or interest on such series of Subordinate Bonds paid by such Credit Provider under such Credit Facility shall not be deemed paid for purposes of this Subordinate Ordinance, and the Subordinate Bonds with respect to which such payments were made shall remain Outstanding and continue to be due and owing until paid by the City in accordance with this Subordinate Ordinance.

(h) In the event of any defeasance of such series of Subordinate Bonds, the City shall provide such Credit Provider with copies of all documents required by Article XIII to be delivered to the Trustee.

(i) The City shall not discharge this Subordinate Ordinance unless all amounts due or to become due to such Credit Provider have been paid in full or duly provided for.

(j) The City shall send or cause to be sent to such Credit Provider copies of notices required to be sent to Owners or the Trustee under this Subordinate Ordinance.

(k) The City shall observe any payment procedures under such Credit Facility required by such Credit Provider as a condition to the issuance and delivery thereof.

Section 14.5. Severability. If any one or more of the provisions of this Subordinate Ordinance or the Subordinate Bonds is or are held by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be null and void and shall be deemed separable from the remaining provisions and shall in no way affect the validity of the other provisions of this Subordinate Ordinance or the Subordinate Bonds.

Section 14.6. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Subordinate Ordinance, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Subordinate Ordinance and except as otherwise provided in a Supplemental Ordinance, no interest shall accrue on the payment so deferred during the intervening period.

Section 14.7. Applicable Law. This Ordinance shall be governed in all respects including validity, interpretation and effect by, and shall be

enforceable in accordance with, the laws of the United States of America and of the State.

Section 14.8. Successors and Assigns. All the covenants, promises and agreements in this Subordinate Ordinance contained by or on behalf of the City, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns.

Section 14.9. Consent of Owners. Any consent, request, direction, approval, objection or other instrument required by this Subordinate Ordinance to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and must be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Subordinate Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Subordinate Ordinance, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely: (a) the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged the execution thereof, or by an affidavit of any witness to such execution; and (b) the Trustee may establish a record date for the purpose of identifying Owners entitled to issue any such consent, request, direction, approval or instrument.

Section 14.10. **General Authorization**. The officers, agents and employees of the City are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the City Attorney, as may be necessary or desirable and in the best interests of the City to carry out the purposes and intents of this Ordinance and the transactions contemplated hereby.

Section 14.11. **Effective Date**. This Ordinance shall take effect and be in force 10 days after its passage, approval, and publication as required by law. Any actions taken pursuant to this Subordinate Ordinance before its effective date and after its passage are hereby ratified, approved and confirmed.

Passed _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form and legality:

ORRICK, HERRINGTON & SUTCLIFFE LLP
Bond Counsel to the City of Tacoma

By _____

CLERK'S CERTIFICATE

I, the undersigned, the duly chosen, qualified City Clerk of the City of Tacoma, Washington, and keeper of the records of the City Council (herein called the "City Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance No. _____ (herein called the "Ordinance") is a true and correct copy of an Ordinance of the City Council, as finally passed at a regular meeting of the City Council held on the ____ day of _____, 2015, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the City Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper adoption of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City as of this _____ day of _____, 2015.

_____
City Clerk
City of Tacoma, Washington

ORDINANCE NO. 28296

AN ORDINANCE relating to Tacoma Power; approving a Supplemental Bond Ordinance; and authorizing Tacoma Power to execute a short-term drawdown direct note purchase agreement with Wells Fargo Bank in the amount of $100 million, to provide funds to finance or refinance costs of capital improvements to the Electric System, fixing certain terms and provisions thereof, and approving certain other matters in connection therewith.

WHEREAS the City, by Ordinance No. 23514, passed on November 20, 1985 (as amended, supplemented and restated, the "Senior Bond Ordinance"), authorized Electric System Revenue Bonds of the City (the "Senior Bonds") to be issued in series having a parity of lien and charge on the Revenues after the payment of Operating Expenses (as those terms are defined therein) if certain conditions are met and complied with, made covenants in connection with the issuance of such Senior Bonds and authorized the sale and issuance of a first series of such Senior Bonds to refund all of the City's then-outstanding light and power revenue bonds, and

WHEREAS the City has issued, and there are currently outstanding approximately $508,000,000 aggregate principal amount of the Senior Bonds, and

WHEREAS, the Senior Bond Ordinance permits the City to issue obligations that are junior and subordinate to the payment of the Senior Bonds and that are payable out of revenues derived by the City from its ownership and operation of the City's Electric System, after payment of the expense of operating and maintaining the Electric System, only after the prior payment of all amounts required to be paid or set aside under the Senior Bonds Ordinance for the Senior Bonds, as the same

shall become due at the times and in the manner as required in the Senior Ordinance, and

WHEREAS, on April ____, 2015, the City Council passed Ordinance No. _____ (the “Master Subordinate Ordinance”) to authorize a new issue of revenue bonds of the City, junior and subordinate to the Senior Bonds, to be known as the City of Tacoma Electric System Subordinate Revenue Bonds (the "Subordinate Bonds") in one or more series to finance costs of the Electric System, and

WHEREAS it is deemed necessary and advisable to acquire and construct certain additions and betterments to and extensions of the Electric System, and

WHEREAS, the Public Utility Board of the City (the “Board”) has initiated and has recommended to the Council for its approval the issuance of Subordinate Bonds in the form of a note (the “2015A Note”) to finance and refinance such capital improvements to the Electric System and to pay costs of issuance, and

WHEREAS the Council has determined that it is in the best interests of the City and its ratepayers to issue the 2015A Note to provide the funds to finance or refinance costs of capital improvements to the Electric System and pay the costs of issuance and sale of the 2015A Note, and

WHEREAS, the City deems it in the best interests of the City and its ratepayers that the 2015A Note be sold to and purchased by Wells Fargo Bank Municipal Capital Strategies, LLC or its affiliate (the “Purchaser”) by private sale pursuant to a Note Purchase Agreement to be entered into between the City and the Bank (the “Note Purchase Agreement”), and

WHEREAS, the Council hereby finds and determines that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness to be evidenced by the 2015A Note, and in the issuing of the 2015A Note, as of the date of issuance thereof, shall exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State and the Charter of the City, and that the 2015A Note is within every debt limitation and other limit prescribed by the Constitution and statutes of the State and the Charter, and is not in excess of the amount of Subordinate Bonds permitted to be issued under the Master Subordinate Ordinance; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Master Subordinate Ordinance. In addition, as used in this First Supplemental Ordinance, the following words shall have the following meanings:

(a) "Designated Representative" means the officer of the City appointed in Section 3.4 to serve as the City's representative in connection with the issuance and sale of the 2015A Note.

(b) "Note Purchase Agreement" means the agreement of that name by and between the City and the Purchaser, as the same shall be supplemented and amended.

(c) "Plan of Additions" means the system or plan of additions to and betterments and extensions of the Electric System described in Section 2.2, as such Plan may be amended, supplemented or revised from time to time consistent with the City's Electric System Comprehensive Plan.

(d) "Purchaser" means Wells Fargo Municipal Capital Strategies, LLC, or its affiliate, and its successors and assigns.

(e) "2015A Note" means the City of Tacoma Electric System Subordinate Revenue Note, Series 2015A, authorized to be issued under the Master Subordinate Ordinance and this First Supplemental Ordinance.

(f) "2015A Note Proceeds" means proceeds of the sale of the 2015A Note.

(g) "2015A Note Projects" means the facilities and projects to be financed or refinanced in whole or in part from proceeds of the 2015A Note, as provided in Section 2.2.

ARTICLE II

PARITY AND OTHER FINDINGS

Section 2.1. Parity Findings. In connection with the issuance of the 2015A Note, the City hereby makes the following findings:

(a) There is, and as of the date of the issuance of the 2015A Note there will be, no deficiency in the Bond Fund, and no Event of Default, as defined in the

Master Subordinate Ordinance, has occurred or shall have occurred and be continuing.

(b) This First Supplemental Ordinance provides for the payment of the principal of and interest on the 2015A Note out of the Bond Fund.

(c) On the date of issuance of the 2015A Note, there will be on file with the City a certificate of the Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Net Revenues was at least equal to 1.0 times the projected Maximum Annual Debt Service for all Outstanding Senior Bonds plus the 2015A Note.

Section 2.2. Plan of Additions. The City specifies, adopts, and orders to be carried out the system or plan of additions to and betterments and extensions of the Electric System (the "Plan of Additions") as generally provided for in the capital portions of the 2015-2016 Biennial Budget, as supplemented and amended, and in any subsequent such budgets if 2015A Note proceeds are available after 2015.

(a) The estimated cost of the Plan of Additions to be financed with the 2015A Note proceeds is not expected to exceed $100,000,000.

(b) The Plan of Additions shall include any amendments, supplements or revisions to the Electric System Comprehensive Plan. The Plan of Additions may be further modified by ordinance or resolution of the City.

(c) The Plan of Additions includes the purchase and installation of all materials, supplies, appliances, equipment (including, but not limited to, data processing hardware and software and conservation equipment) and facilities; the acquisition of all permits, franchises, property and property rights; other capital

assets; and all engineering, consulting, and other professional services and studies (whether performed by the City or by other public or private entities) necessary or convenient to carry out the Plan of Additions.

Section 2.3. Finding as to Sufficiency of Gross Revenue. The City hereby finds and determines that the Revenues of the Electric System at the rates to be charged for power and other services and commodities from the Electric System will be more than sufficient to meet all Operating Expenses, to make all required payments with respect to the Senior Bonds, and to permit the setting aside into the Bond Fund out of the Revenues of amounts sufficient to pay the principal of and interest on the 2015A Note when due at maturity and upon any mandatory sinking fund redemption thereof. The City further finds and determines that in creating the Bond Fund and in fixing the amounts to be paid into the Bond Fund, it has exercised due regard for Operating Expenses, and the City has not bound and obligated itself to set aside and pay into the Bond Fund a greater amount or proportion of the Revenues than in the judgment of the City will be available over and above the Operating Expenses.

ARTICLE III

AUTHORIZATION AND TERMS OF NOTES

Section 3.1. Authorization of 2015A Note; Terms and Description of 2015A Note.

(a) The City hereby authorizes the issuance of its "City of Tacoma Electric System Subordinate Revenue Note, Series 2015A" subject to the provisions of this

Section and as hereinafter provided. The 2015A Note shall be issued to finance and refinance the costs of the 2015A Note Projects.

(b) The aggregate principal amount of the 2015A Note that may be Outstanding at any one time hereunder shall not at any time exceed $100,000,000.

(c) The terms of the 2015A Note shall otherwise be as set forth in the Note Purchase Agreement. The principal of and interest on the 2015A Note shall be due and payable at the rates, on the dates and in the manner, the 2015A Note shall be subject to mandatory and optional redemption and to mandatory tender for purchase prior to maturity on the dates and at the prices, and the terms of the 2015A Note shall otherwise be as set forth in, the Note Purchase Agreement.

(d) The 2015A Note shall constitute a Subordinate Bond within the meaning of the Master Subordinate Ordinance.

(e) The 2015A Note shall contain a legend to the effect that the transferability of such 2015A Note is subject to the restrictions set forth in the Note Purchase Agreement. Registered ownership of the 2015A Note, or any portion thereof or interest thereon, may not thereafter be transferred except as set forth in the Note Purchase Agreement.

Section 3.2. Form of 2015A Note. The definitive 2015A Note shall be in substantially the form set forth in Exhibit "A" attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be required or appropriate consistent with the Master Subordinate Ordinance and this First Supplemental Ordinance.

Section 3.3. Registered Note; No Book-Entry System. The 2015A Note shall be issued in the form of a separate single fully-registered 2015A Note but not as Book-Entry Bonds. The 2015A Note shall be registered in the name of the Purchaser (as defined in the Note Purchase Agreement). The terms and provisions set forth in Sections 4.3(b), 4.3(d), 4.3(e), and 4.4 of the Master Subordinate Ordinance shall not apply to the Note, and the registration, transfer and exchange, place and medium of payment, shall be as set forth in the 2015A Note and the Note Purchase Agreement.

Section 3.4. Appointment of Designated Representative. The Director of Utilities, and, in the alternative, the Superintendent of the Power Division, each is hereby appointed as the Designated Representative. The Designated Representative is authorized to issue and sell the 2015A Note, to establish and determine the terms of the 2015A Note, and to certify draws from time to time on the 2015A Note, which shall be made by the City Treasurer, all as provided herein and in the Note Purchase Agreement.

Section 3.5. Sale of 2015A Note; Note Purchase Agreement. The 2015A Note shall be sold to and purchased by the Purchaser pursuant to and in accordance with the Note Purchase Agreement. The Note Purchase Agreement, in the form presented at this meeting and on file with the City Clerk, is hereby approved, and the Designated Representative is hereby authorized to execute such Agreement with such changes therein approved by the Designated Representative in consultation with the City Attorney, such approval to be conclusively evidenced

by his or her execution and delivery thereof to the Purchaser. The Note Purchase Agreement is a Credit Facility as defined in the Master Subordinate Ordinance.

Section 3.6. Paying Agent. The City Treasurer is hereby designated by the City as the Paying Agent for the 2015A Note in accordance with the Master Subordinate Ordinance.

ARTICLE IV

APPLICATION OF NOTE PROCEEDS

Section 4.1. Establishment and Designation of Accounts.

(a) There is created in the Subordinate Construction Fund an account to be known as the 2015A Note Subordinate Construction Account.

(b) There is hereby created in the Bond Fund the following subaccounts with respect to the 2015A Note:

(i) the 2015A Note Interest Subaccount in the Interest Account;

(ii) the 2015A Note Principal Subaccount in the Principal Account; and

(iii) the 2015A Note Bond Retirement Subaccount in the Bond Retirement Account.

(c) The City hereby determines that the 2015A Note shall not be secured by the Reserve Account or other debt service reserve account.

Section 4.2. Deposit of Proceeds of 2015A Note. Immediately upon receipt thereof, the Paying Agent shall deposit Advances drawn by the City under the 2015A Note into the 2015A Note Subordinate Construction Account, which

amounts shall be used to pay costs of the 2015A Note Projects and the costs of issuance of the 2015A Note.

Section 4.3. Deposits Into and Uses of the 2015A Subaccounts in the Bond Fund. The City hereby obligates and binds itself irrevocably to set aside and to pay into the 2015A Note Interest Subaccount, the 2015A Note Principal Subaccount, and the 2015A Note Bond Retirement Subaccount, respectively, out of the Revenues the amounts necessary (together with other available moneys on hand therein) to pay the principal of, interest on and any mandatory sinking fund redemptions for the 2015A Note as and when the same respectively become due and payable in accordance with the terms hereof and of the Note Purchase Agreement. The 2015A Note Interest Subaccount, the 2015A Note Principal Subaccount, and the 2015A Note Bond Retirement Subaccount, respectively, shall be drawn upon solely for the purpose of paying the principal of, interest on and mandatory sinking fund redemptions for the 2015A Note.

ARTICLE V

ADDITIONAL EVENT OF DEFAULT

Section 5.1. Additional Event of Default. An Event of Default under the Note Purchase Agreement shall constitute an Event of Default under this Supplemental Ordinance. Nothing herein shall limit the remedies of the Purchaser under the Note Purchase Agreement.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Ratification of Prior Acts. Any action taken consistent with the authority and prior to the effective date is ratified, approved, and confirmed.

Section 6.2. General Authorization. The appropriate officers, agents and employees of the City are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the City Attorney, as may be necessary or desirable and in the best interests of the City to carry out the purposes and intents of this First Supplemental Ordinance and the transactions contemplated hereby.

Section 6.3. Terms of 2015A Note Subject to the Master Subordinate Ordinance. Except as in this First Supplemental Ordinance expressly provided, every term and condition contained in the Master Subordinate Ordinance shall apply to this First Supplemental Ordinance and to the 2015A Note with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplemental Ordinance.

Section 6.4. Ratification of the Master Subordinate Ordinance. Except as supplemented and amended by this First Supplemental Ordinance, the Master Subordinate Ordinance is hereby ratified, approved and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented, including as amended and supplemented by this First Supplemental Ordinance.

Section 6.5. Provisions of Note Purchase Agreement. The terms and provisions of the 2015A Note as set forth in the Note Purchase Agreement shall control over any inconsistent provision of this First Supplemental Ordinance.

Section 6.6. Effective Date of Ordinance. This First Supplemental Ordinance shall take effect and be in force 10 days from and after its publication.

Passed: _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form and legality:

ORRICK, HERRINGTON & SUTCLIFFE LLP
Bond Counsel to the City of Tacoma

By _____

CLERK'S CERTIFICATE

I, the undersigned, the duly chosen, qualified City Clerk of the City of Tacoma, Washington, and keeper of the records of the City Council (herein called the "Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance No. _____ (herein called the "Ordinance") is a true and correct copy of an Ordinance of the Council, as finally passed at a regular meeting of the Council held on the ____ day of _____, 2015, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper adoption of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City as of this _____ day of _____, 2015.

_____
City Clerk
City of Tacoma, Washington

EXHIBIT "A"

(Form of Master Note)

The Transferability of this Note is Restricted as Described in the Note Purchase Agreement (as defined in the First Supplemental Ordinance)

STATE OF WASHINGTON

CITY OF TACOMA

ELECTRIC SYSTEM SUBORDINATE REVENUE NOTE,

SERIES 2015A

Registered Owner: _____

Principal Sum: Not to Exceed $100,000,000 Outstanding

The CITY OF TACOMA, a municipal corporation duly organized and existing under and pursuant to the Charter of the City of Tacoma and the Constitution and laws of the State of Washington (hereinafter called the "City"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, the principal amount hereof, together with unpaid accrued interest thereon, on the dates, at the rates and in the amounts as provided in the Master Subordinate Ordinance (as hereinafter defined) and the Note Purchase Agreement (as defined in the Master Subordinate Ordinance) referred to hereinafter. This Note is issued pursuant to Ordinance No. ____ , passed on April __, 2015, as amended and supplemented, including as supplemented by Ordinance No. ____ , passed on April __, 2015, providing for the

issuance of the Bonds, including the 2015A Note (hereinafter collectively called the "Master Subordinate Ordinance"). Interest shall be calculated on the basis of actual days elapsed in a 360 day year consisting of 12 30-day months. Payments shall be made solely from Revenues, after payment of Operating Expenses and required payments with respect to the Senior Bonds (as defined in the Master Subordinate Ordinance), to the registered owner stated hereinabove by the Paying Agent without the necessity of presentation and surrender of this Master Note.

This Note is one of a duly authorized issue of Electric System Subordinate Revenue Bonds of the City (hereinafter called the "Bonds") of the series and designation indicated on the face hereof. Said authorized issue of Bonds is not limited in aggregate principal amount and consists of multiple series and subseries of varying denominations, dates, maturities, interest rates and other provisions, as in the Master Subordinate Ordinance hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City of Tacoma, and all laws of the State of Washington supplemental thereto (hereinafter called the "Act").

Reference is hereby made to the Master Subordinate Ordinance and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Master Subordinate Ordinance, and the rights of the registered owners of the Bonds; and all the terms of the Master Subordinate Ordinance and the Act are hereby incorporated herein and made a contract between the City and the registered owner from time to time of this Note, and to all the provisions thereof

the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series and subseries of Bonds may be issued on a parity with this Note, but only subject to the conditions and limitations contained in the Master Subordinate Ordinance. This Note is subject to mandatory redemption and mandatory tender as provided in the Master Subordinate Ordinance.

This Note, including the interest hereon, together with all other Bonds, and the interest thereon, issued under the Master Subordinate Ordinance (and to the extent set forth in the Master Subordinate Ordinance), is payable from, and is secured by a charge and lien on, the Revenues, after payment of Operating Expenses and required payments with respect to the Senior Bonds, derived by the City from the Electric System (as those terms are defined in the Master Subordinate Ordinance).

The Bonds are special obligations of the City, and are payable, both as to principal and interest, out of the Revenues, after payment of Operating Expenses and required payments with respect to the Senior Bonds, pertaining to the Electric System and the moneys in the Funds and Accounts provided in the Master Subordinate Ordinance, subject to the prior payment of principal of and interest on the Senior Bonds, and not out of any other fund or moneys of the City. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City of Tacoma to pay this Note or the interest hereon.

This Note is transferable by the registered owner hereof, but only in the manner and subject to the limitations provided in the Master Subordinate

Ordinance. Upon such transfer a new fully registered Note for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The rights and obligations of the City and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Master Subordinate Ordinance; provided, that no such modification or amendment shall (i) extend the stated maturity of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Bond so affected, or (ii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Revenues prior to or on a parity with the lien of the Master Subordinate Ordinance, without the consent of the holders of all of the Bonds then outstanding, or (iii) except as expressly permitted by the Master Subordinate Ordinance, prefer or give priority to any Bond without the consent of the registered owner of each Bond not receiving such preference or priority.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Note, and in the issuing of this Note, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of Washington and the Charter of the City of Tacoma, and that this Note, together with all other

indebtedness of the City pertaining to the Electric System, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of Washington and said Charter, and is not in excess of the amount of Bonds permitted to be issued under the Master Subordinate Ordinance.

This Note shall not be entitled to any benefit under the Master Subordinate Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Paying Agent. This Master Note is a valid and binding obligation of City.

IN WITNESS WHEREOF, the CITY OF TACOMA has caused this Note to be executed in its name and on its behalf by its _____ and countersigned by its _____, and the seal of said City to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the ____ day of _____, ____.

CITY OF TACOMA

By: _____

Title: _____

Countersigned:

By: _____

Title: _____

CERTIFICATE OF AUTHENTICATION

This is the Note described in the within-mentioned Master Subordinate Ordinance.

[NAME], as Paying Agent and Bond Registrar

By: _____

Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto _____

(Name, address, and Taxpayer Identification Number of Assignee)

this Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Note on the books of the City with full power of substitution in the premises.

Dated:

Signature(s) Guaranteed

_____

(Signature)

Notice: The signature on this assignment must correspond with the name as written upon the face of this Master Note, in every particular, without alteration or enlargement or any change whatsoever.

ORDINANCE NO. 28297

AN ORDINANCE relating to Tacoma Power, Department of Public Utilities, Light Division (d.b.a. “Tacoma Power”); approving a Supplemental Bond Ordinance; and authorizing Tacoma Power to execute a short-term liquidity note purchase agreement with KeyBank in an amount not to exceed $50 million, to provide general credit, including liquidity, for the Electric System, fixing certain terms and provisions thereof, and approving certain other matters in connection therewith.

WHEREAS the City, by Ordinance No. 23514, passed on November 20, 1985 (as amended, supplemented and restated, the "Senior Bond Ordinance"), authorized Electric System Revenue Bonds of the City (the "Senior Bonds") to be issued in series having a parity of lien and charge on the Revenues after the payment of Operating Expenses (as those terms are defined therein) if certain conditions are met and complied with, made covenants in connection with the issuance of such Senior Bonds and authorized the sale and issuance of a first series of such Senior Bonds to refund all of the City's then-outstanding light and power revenue bonds, and

WHEREAS the City has issued and there are currently outstanding approximately $508,000,000 aggregate principal amount of the Senior Bonds, and

WHEREAS, the Senior Bond Ordinance permits the City to issue obligations that are junior and subordinate to the payment of the Senior Bonds and that are payable out of revenues derived by the City from its ownership and operation of the City’s Electric System, after payment of the expense of operating and maintaining the Electric System, only after the prior payment of all amounts required to be paid or set aside under the Senior Bonds Ordinance for the Senior

Bonds, as the same shall become due at the times and in the manner as required in the Senior Ordinance, and

WHEREAS the Council on April __, 2015, passed Ordinance No. _____ (the "Master Subordinate Ordinance") to authorize a new issue of revenue bonds of the City junior and subordinate to the Senior Bonds to be known as the City of Tacoma Electric System Subordinate Revenue Bonds (the "Subordinate Bonds") in one or more series to finance costs of the Electric System, and

WHEREAS it is deemed necessary and advisable to have a general credit facility available, including for liquidity, for the Electric System, and

WHEREAS, the Public Utility Board of the City (the "Board") has initiated and has recommended to the Council for its approval the issuance of Subordinate Bonds in the form of a note (the "2015B Note") to provide general credit, including liquidity, for the Electric System and to pay costs of issuance, and

WHEREAS the Council has determined that it is in the best interests of the City and its ratepayers to issue the 2015B Note to provide general credit, including liquidity, for the Electric System and pay the costs of issuance of the 2015B Note, and

WHEREAS, the City deems it in the best interests of the City and its ratepayers that the 2015B Note be sold to and purchased by KeyBank National Association (the "Purchaser") by private sale pursuant to a Note Purchase Agreement to be entered into between the City and the Purchaser (the "Note Purchase Agreement"), and

WHEREAS, the Council hereby finds and determines that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness to be evidenced by the 2015B Note, and in the issuing of the 2015B Note, as of the date of issuance thereof, shall exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State and the Charter of the City, and that the 2015B Note is within every debt limitation and other limit prescribed by the Constitution and statutes of the State and the Charter, and is not in excess of the amount of Subordinate Bonds permitted to be issued under the Master Subordinate Ordinance; Now, Therefore,

BE IT ORDAINED BY THE CITY OF TACOMA:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Master Subordinate Ordinance or Note Purchase Agreement. In addition, as used in this Second Supplemental Ordinance, the following words shall have the following meanings:

(a) "Designated Representative" means the officers of the City appointed in Section 3.4 to serve as the City's representative in connection with the issuance and sale of the 2015B Note.

(b) "Note Purchase Agreement" means the agreement of that name by and between the City and the Purchaser, as the same shall be supplemented and amended.

(c) "Purchaser" means KeyBank National Association, or its affiliate, and its successors and assigns.

(d) "2015B Note" means the City of Tacoma Electric System Subordinate Revenue Note, Series 2015B, authorized to be issued under the Master Subordinate Ordinance and this Second Supplemental Ordinance.

(e) "2015B Note Proceeds" means proceeds of the sale of the 2015B Note.

ARTICLE II

PARITY AND OTHER FINDINGS

Section 2.1. Parity Findings. In connection with the issuance of the 2015B Note, the City hereby makes the following findings:

(a) There is, and as of the date of the issuance of the 2015B Note there will be, no deficiency in the Bond Fund, and no Event of Default, as defined in the Master Subordinate Ordinance, has occurred or shall have occurred and be continuing.

(b) This Second Supplemental Ordinance provides for the payment of the principal of and interest on the 2015B Note out of the Bond Fund.

(c) On the date of issuance of the 2015B Note, there will be on file with the City a certificate of the Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months

Net Revenues was at least equal to 1.0 times the projected Maximum Annual Debt Service for all Outstanding Senior Bonds plus the 2015B Note and any other Subordinate Debt.

Section 2.2. Finding as to Sufficiency of Gross Revenue. The City hereby finds and determines that the Revenues of the Electric System at the rates to be charged for power and other services and commodities from the Electric System will be more than sufficient to meet all Operating Expenses, to make all required payments with respect to the Senior Bonds, and to permit the setting aside into the Bond Fund out of the Revenues of amounts sufficient to pay the principal of and interest on the 2015B Note when due at maturity and upon any mandatory sinking fund redemption thereof. The City further finds and determines that in creating the Bond Fund and in fixing the amounts to be paid into the Bond Fund, it has exercised due regard for Operating Expenses, and the City has not bound and obligated itself to set aside and pay into the Bond Fund a greater amount or proportion of the Revenues than in the judgment of the City will be available over and above the Operating Expenses.

ARTICLE III

AUTHORIZATION AND TERMS OF NOTES

Section 3.1. Authorization of 2015B Note; Terms and Description of 2015B Note.

(a) The City hereby authorizes the issuance of its "City of Tacoma Electric System Subordinate Revenue Note, Series 2015B" subject to the

provisions of this Section and as hereinafter provided. The 2015B Note shall be issued to provide general credit, including liquidity, for the Electric System.

(b) The aggregate principal amount of the 2015B Note that may be Outstanding at any one time hereunder shall not at any time exceed $50,000,000.

(c) The terms of the 2015B Note shall otherwise be as set forth in the Note Purchase Agreement. The principal of and interest on the 2015B Note shall be due and payable at the rates, on the dates and in the manner, the 2015B Note shall be subject to mandatory and optional redemption and to mandatory tender for purchase prior to maturity on the dates and at the prices, and the terms of the 2015B Note shall otherwise be as set forth in, the Note Purchase Agreement.

(d) The 2015B Note shall constitute a Subordinate Bond within the meaning of the Master Subordinate Ordinance.

(e) The 2015B Note shall contain a legend to the effect that the transferability of such 2015B Note is subject to the restrictions set forth in the Note Purchase Agreement. Registered ownership of the 2015B Note, or any portion thereof or interest thereon, may not thereafter be transferred except as set forth in the Note Purchase Agreement.

Section 3.2. Form of 2015B Note. The definitive 2015B Note shall be in substantially the form set forth in Exhibit "A" attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be required or appropriate consistent with the Master Subordinate Ordinance and this Second Supplemental Ordinance.

Section 3.3. Registered Note; No Book-Entry System. The 2015B Note shall be issued in the form of a separate single fully-registered 2015B Note but not as Book-Entry Bonds. The 2015B Note shall be registered in the name of the Purchaser (as defined in the Note Purchase Agreement). The terms and provisions set forth in Sections 4.3(b), 4.3(d), 4.3(e), and 4.4 of the Master Subordinate Ordinance shall not apply to the 2015B Note, and the registration, transfer and exchange, place and medium of payment, shall be as set forth in the 2015B Note and the Note Purchase Agreement.

Section 3.4. Appointment of Designated Representative. The Director of Utilities, and, in the alternative, the Superintendent of the Power Division, each is hereby appointed as the Designated Representative. The Designated Representative is authorized to issue and sell the 2015B Note, to establish and determine the terms of the 2015B Note, and to certify draws from time to time on the 2015B Note, which shall be made by the City Treasurer, all as provided herein and in the Note Purchase Agreement.

Section 3.5. Sale of 2015B Note; Note Purchase Agreement. The 2015B Note shall be sold to and purchased by the Purchaser pursuant to and in accordance with the Note Purchase Agreement. The Note Purchase Agreement, in the form presented at this meeting and on file with the City Clerk, is hereby approved, and the Designated Representative is hereby authorized to execute such Agreement with such changes therein approved by the Designated Representative in consultation with the City Attorney, such approval to be conclusively evidenced by his or her execution and delivery thereof to the

Purchaser. The Note Purchase Agreement is a Credit Facility as defined in the Master Subordinate Ordinance.

Section 3.6. Paying Agent. The City Treasurer is hereby designated by the City as the Paying Agent for the 2015B Note in accordance with the Master Subordinate Ordinance.

ARTICLE IV

APPLICATION OF NOTE PROCEEDS

Section 4.1. Establishment and Designation of Accounts.

(a) There is created in the Subordinate Construction Fund an account to be known as the 2015B Note Subordinate Construction Account.

(b) There is hereby created in the Bond Fund the following subaccounts with respect to the 2015B Note:

(i) the 2015B Note Interest Subaccount in the Interest Account;

(ii) the 2015B Note Principal Subaccount in the Principal Account; and

(iii) the 2015B Note Bond Retirement Subaccount in the Bond Retirement Account.

(c) The City hereby determines that the 2015B Note shall not be secured by the Reserve Account or other debt service reserve account.

Section 4.2. Deposit of Proceeds of 2015B Note. Immediately upon receipt thereof, the Paying Agent shall deposit Advances drawn by the City under the 2015B Note into the 2015B Note Subordinate Construction Account, which

amounts shall be used for the purposes for which such Advances were made and the costs of issuance of the 2015B Note.

Section 4.3. Deposits Into and Uses of the 2015B Subaccounts in the Bond Fund. The City hereby obligates and binds itself irrevocably to set aside and to pay into the 2015B Note Interest Subaccount, the 2015B Note Principal Subaccount, and the 2015B Note Bond Retirement Subaccount, respectively, out of the Revenues the amounts necessary (together with other available moneys on hand therein) to pay the principal of, interest on and any mandatory sinking fund redemptions for the 2015B Note as and when the same respectively become due and payable in accordance with the terms hereof and of the Note Purchase Agreement. The 2015B Note Interest Subaccount, the 2015B Note Principal Subaccount, and the 2015B Note Bond Retirement Subaccount, respectively, shall be drawn upon solely for the purpose of paying the principal of, interest on and mandatory sinking fund redemptions for the 2015B Note.

ARTICLE V

ADDITIONAL EVENT OF DEFAULT

Section 5.1. Additional Event of Default. An Event of Default under the Note Purchase Agreement shall constitute an Event of Default under this Supplemental Ordinance; provided, that nothing herein shall limit the remedies of the Purchaser under the Note Purchase Agreement.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Ratification of Prior Acts. Any action taken consistent with the authority and prior to the effective date is ratified, approved, and confirmed.

Section 6.2. General Authorization. The appropriate officers, agents and employees of the City are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the City Attorney, as may be necessary or desirable and in the best interests of the City to carry out the purposes and intents of this Second Supplemental Ordinance and the transactions contemplated hereby.

Section 6.3. Terms of 2015B Note Subject to the Master Subordinate Ordinance. Except as in this Second Supplemental Ordinance expressly provided, every term and condition contained in the Master Subordinate Ordinance shall apply to this Second Supplemental Ordinance and to the 2015B Note with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Second Supplemental Ordinance.

Section 6.4. Ratification of the Master Subordinate Ordinance. Except as supplemented and amended by this Second Supplemental Ordinance, the Master Subordinate Ordinance is hereby ratified, approved and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented, including as amended and supplemented by this Second Supplemental Ordinance.

Section 6.5. Provisions of Note Purchase Agreement. The terms and provisions of the 2015B Note as set forth in the Note Purchase Agreement shall control over any inconsistent provision of this First Supplemental Ordinance.

Section 6.6. Effective Date of Ordinance. This Second Supplemental Ordinance shall take effect and be in force 10 days from and after its publication.

Passed: _____

_____
Mayor

Attest:

_____
City Clerk

Approved as to form and legality:

ORRICK, HERRINGTON & SUTCLIFFE LLP
Bond Counsel to the City of Tacoma

By _____

CLERK'S CERTIFICATE

I, the undersigned, the duly chosen, qualified City Clerk of the City of Tacoma, Washington, and keeper of the records of the City Council (herein called the "Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance No. _____ (herein called the "Ordinance") is a true and correct copy of an Ordinance of the Council, as finally passed at a regular meeting of the Council held on the ____ day of _____, 2015, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper adoption of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City as of this _____ day of _____, 2015.

_____
City Clerk
City of Tacoma, Washington

EXHIBIT "A"

(Form of Master Note)

The Transferability of this Note is Restricted as Described in the Note Purchase Agreement (as defined in the Second Supplemental Ordinance)

STATE OF WASHINGTON

CITY OF TACOMA

ELECTRIC SYSTEM SUBORDINATE REVENUE NOTE,

SERIES 2015B

Registered Owner: _____

Principal Sum: Not to Exceed $50,000,000 Outstanding

The CITY OF TACOMA, a municipal corporation duly organized and existing under and pursuant to the Charter of the City of Tacoma and the Constitution and laws of the State of Washington (hereinafter called the "City"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, the principal amount hereof, together with unpaid accrued interest thereon, on the dates, at the rates and in the amounts as provided in the Master Subordinate Ordinance (as hereinafter defined) and the Note Purchase Agreement (as defined in the Master Subordinate Ordinance) referred to hereinafter. This Note is issued pursuant to Ordinance No. ____ of the City, passed on April __, 2015, as amended and supplemented, including as supplemented by Ordinance No. ____ of the City, passed on April __, 2015, providing for the issuance of the Bonds, including the 2015B Note (hereinafter collectively called the "Master Subordinate Ordinance").

The terms and provisions of this Note are set forth in the Master Subordinate Ordinance and the Note Purchase Agreement. Payments shall be made to the registered owner stated hereinabove by the Paying Agent without the necessity of presentation and surrender of this Master Note.

This Note is one of a duly authorized issue of Electric System Subordinate Revenue Bonds of the City (hereinafter called the "Bonds") of the series and designation indicated on the face hereof. Said authorized issue of Bonds is not limited in aggregate principal amount and consists of multiple series and subseries of varying denominations, dates, maturities, interest rates and other provisions, as in the Master Subordinate Ordinance hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City of Tacoma, and all laws of the State of Washington supplemental thereto (hereinafter called the "Act").

Reference is hereby made to the Master Subordinate Ordinance and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Master Subordinate Ordinance, and the rights of the registered owners of the Bonds; and all the terms of the Master Subordinate Ordinance and the Act are hereby incorporated herein and made a contract between the City and the registered owner from time to time of this Note, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series and subseries of Bonds may be issued on a parity with this Note, but only subject to the conditions and limitations contained in the Master

Subordinate Ordinance and the Note Purchase Agreement. This Note is subject to mandatory redemption and mandatory tender as provided in the Note Purchase Agreement.

This Note, including the interest hereon, together with all other Bonds, and the interest thereon, issued under the Master Subordinate Ordinance (and to the extent set forth in the Master Subordinate Ordinance), is payable from, and is secured by a charge and lien on, the Revenues, after payment of Operating Expenses and required payments with respect to the Senior Bonds, derived by the City from the Electric System (as those terms are defined in the Master Subordinate Ordinance).

The Bonds are special obligations of the City, and are payable, both as to principal and interest, out of the Revenues, after payment of Operating Expenses and required payments with respect to the Senior Bonds, pertaining to the Electric System and the moneys in the Funds and Accounts provided in the Master Subordinate Ordinance, subject to the prior payment of principal of and interest on the Senior Bonds, and not out of any other fund or moneys of the City. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City of Tacoma to pay this Note or the interest hereon.

This Note is transferable by the registered owner hereof, but only in the manner and subject to the limitations provided in the Master Subordinate Ordinance. Upon such transfer a new fully registered Note for the same aggregate principal amount will be issued to the transferee in exchange herefore.

The rights and obligations of the City and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Master Subordinate Ordinance; provided, that no such modification or amendment shall (i) extend the stated maturity of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Bond so affected, or (ii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Revenues prior to or on a parity with the lien of the Master Subordinate Ordinance, without the consent of the holders of all of the Bonds then outstanding, or (iii) except as expressly permitted by the Master Subordinate Ordinance, prefer or give priority to any Bond without the consent of the registered owner of each Bond not receiving such preference or priority.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Note, and in the issuing of this Note, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of Washington and the Charter of the City of Tacoma, and that this Note, together with all other indebtedness of the City pertaining to the Electric System, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of

Washington and said Charter, and is not in excess of the amount of Bonds permitted to be issued under the Master Subordinate Ordinance.

This Note shall not be entitled to any benefit under the Master Subordinate Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Paying Agent. This Master Note is a valid and binding obligation of City.

IN WITNESS WHEREOF, the CITY OF TACOMA has caused this Note to be executed in its name and on its behalf by its _____ and countersigned by its _____, and the seal of said City to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the ____ day of _____, _____.

CITY OF TACOMA

By

Title

Countersigned:

By

Title

CERTIFICATE OF AUTHENTICATION

This is the Master Note described in the within-mentioned Master Subordinate Ordinance.

[NAME], as Paying Agent and Bond Registrar

By

Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto: _____

(Name, address, and Taxpayer Identification Number of Assignee)

this Master Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Master Note on the books of the City with full power of substitution in the premises.

Dated:

Signature(s) Guaranteed

_____

(Signature)

Notice: The signature on this assignment must correspond with the name as written upon the fac of this Master Note, in every particular, without alteration or enlargement or any change whatsoever.