AN ORDINANCE amending Section 5 of Ordinance No. 1455; providing for the issuance and sale of $1,800,000.00 par value of "Sewer Revenue Bonds, 1968," for the purpose of providing a part of the funds with which to carry out a system or plan of additions to and betterments and extensions of the sewage collection and disposal system of the City adopted in Ordinance No. 1337, as amended by Ordinance No. 1455; fixing the date, form, maturities, interest rates, terms and covenants of such bonds; and providing for the sale thereof to McLean & Company, Inc., of Tacoma, Washington.

WHEREAS, the City of Kent, Washington, by Ordinance No. 1455 passed by the City Council and approved by the Mayor on the 5th day of June, 1967, specified and adopted a system or plan of additions to and betterments and extensions of the sewage collection and disposal system of the City and ordered the same to be carried out, authorized the issuance and sale of sewer revenue bonds in the principal sum of not to exceed $1,750,000.00 to pay part of the cost thereof, converted Local Improvement District No. 250 established by Ordinance No. 1337 into Utility Local Improvement District No. 1, the property therein to be assessed to the extent of not to exceed $1,700,000.00 of the cost of that system or plan, and provided that the remaining cost should be paid from any funds which the City may have available for that purpose, including any moneys received from the Economic Development Administration of the United States Department of Commerce and the Municipality of Metropolitan Seattle; and

WHEREAS, it is now estimated that to defray the total cost of the above mentioned plan or system, it is necessary to increase the sewer revenue bond authorization made in Ordinance No. 1455 from $1,750,000.00 to $1,800,000.00; and

WHEREAS, the City of Kent has heretofore issued pursuant to Ordinance No. 1033 passed and approved June 15, 1959, $300,000.00 par value of "Sewer Revenue Bonds, 1959," and pursuant to Ordinance No. 1268 passed and
approved October 5, 1964, $325,000.00 par value of "Sewer Revenue Bonds, 1964, Series A," and pursuant to Ordinance No. 1338 passed and approved on April 18, 1966, $435,000.00 par value of "Sewer Revenue Bonds, 1966," all of which bonds, pursuant to Section 8 of Ordinance No. 871, are issued on a parity of lien with each other against the gross revenues of the sanitary sewage and disposal system of the City; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF KENT, WASHINGTON, DO ORDAIN as follows:

Section 1. Section 5 of Ordinance No. 1455 is amended to read as follows:

Section 5. Subject to the provisions of Section 7 of this Ordinance No. 1455, the cost of the system or plan for additions to and betterments and extensions of the sewerage system of the City adopted by this ordinance shall be met and defrayed from any funds which the City may have for such purpose, including any moneys received from the Economic Development Administration and the Municipality of Metropolitan Seattle, as aforesaid, and by the issuance and sale of sewer revenue bonds of the City in the sum of not to exceed $1,800,000.00 par value. The bonds shall be issued at such times and in such amounts or series as the City Council shall hereafter determine and shall contain such covenants and interest rates as the City Council shall hereafter approve. The bonds shall be payable from the gross revenues received from charges for sanitary sewage disposal service, from charges for garbage collection and disposal service, and from the receipt of payments of assessments levied in Utility Local Improvement District No. 1 created by this ordinance. Such assessments shall be for the sole purpose of payment into the special revenue bond redemption fund hereinafter created for the payment of the revenue bonds authorized by this ordinance.

Section 2. For the purposes of this Ordinance the following words shall have the following meanings:

(a) "Bonds" shall mean the $1,800,000.00 par value of "Sewer Revenue Bonds, 1968," issued pursuant to and for the purposes provided in this Ordinance, and which were originally denominated in Ordinance No. 1455 as the "Sewer Revenue Bonds, 1967."
(b) "Bond Fund" shall mean the "Sewer Revenue Bond Fund, 1968," originally created by Ordinance No. 1455 as the "Sewer Revenue Bond Fund, 1967," and renamed by this Ordinance, and to be used for the payment of the outstanding Bonds and Parity Bonds.

(c) "1959 Bonds" shall mean the outstanding "Sewer Revenue Bonds, 1959," issued pursuant to Ordinance No. 1033.

(d) "1959 Bond Fund" shall mean the "Sewer Revenue Bond Fund, 1959," created by Ordinance No. 1022 for the payment of the 1959 Bonds.

(e) "1964 Bonds" shall mean the outstanding "Sewer Revenue Bonds, 1964, Series A," issued pursuant to Ordinance No. 1338.

(f) "1964 Bond Fund" shall mean the "Sewer Revenue Bond Fund, 1964," created by Ordinance No. 1226 for payment of the 1964 Bonds.

(g) "1966 Bonds" shall mean the outstanding "Sewer Revenue Bonds, 1966," issued pursuant to Ordinance No. 1338.

(h) "1966 Bond Fund" shall mean the "Sewer Revenue Bond Fund, 1965," created by Ordinance No. 1295 (and renamed the "Sewer Revenue Bond Fund, 1966") for the payment of the 1966 Bonds.

(i) "City" shall mean the City of Kent, Washington.

(j) "Gross revenues of the System of Sewerage" shall mean all of the earnings and revenue received by the System of Sewerage from any source whatsoever, except assessments and installments thereof and interest and any penalties thereon levied or collected in any utility local improvement district of the City.

(k) "Net revenue of the System of Sewerage" shall mean the Gross Revenue of the System of Sewerage, less the operation and maintenance expenses of that System, including payments which may be made to the Municipality of Metropolitan of Seattle for sewage treatment and disposal, but before depreciation.

(l) "Parity Bonds" shall mean any and all outstanding sewer revenue bonds (or water and sewer revenue bonds in the event the water utility of the City and System of Sewerage shall be hereafter combined) of the City, issued subject to the requirements of Section 9 of this Ordinance, the payment of which, both
principal and interest, constitutes a lien and charge upon the gross revenues of the System of Sewerage and upon all utility local improvement district assessments and installments thereof, plus interest and all penalties thereon, required to be paid into the Bond Fund, equal in rank with the lien and charge upon such revenue and assessments for the payments required to pay or secure the payment of the Bonds.

(m) "Principal and Interest Account" shall mean the account of that name created in the Bond Fund to be first used to pay the principal of and interest on the Bonds and any Parity Bonds.

(n) "Reserve Account" shall mean the account of that name created in the Bond Fund to secure the payment of the principal of and interest on the Bonds and any Parity Bonds.

(o) "Sewer Revenue Fund" shall mean the fund by that name created by Ordinance No. 871, (or, in the event the System of Sewerage shall be combined into the water utility of the City, the "Water and Sewer Revenue Fund") into which fund shall be paid as collected all of the gross revenues of the System of Sewerage.

(p) "System of Sewerage" shall mean the sanitary sewage collection and disposal system of the City, including the system and plant for garbage and refuse collection and disposal combined therein by Ordinance No. 1338, together with all additions thereto and betterments and extensions thereof at anytime made, and, in the event the water utility of the City shall be combined with the System of Sewerage, then it shall mean the waterworks utility of the City, including the System of Sewerage as a part thereof.

(q) "Term Bond Maturity Year" shall mean any last calendar year in which the Bonds or any issue or series of Parity Bonds are scheduled to mature (regardless of any reservation of prior redemption rights) in which the amount of such outstanding bonds scheduled to mature is more than 1.25 times the average principal maturity of the bonds of such issue or series for the three years immediately preceding such Term Bond Maturity Year.

(r) "Term Bonds" shall mean those numbered outstanding bonds of the Bonds, or any single issue or series of Parity Bonds, scheduled to mature in any Term Bond Maturity Year.
Section 3. For the purpose of obtaining a part of the funds necessary to carry out the system or plan of additions to and betterments and extensions of the System of Sewerage of the City, as specified, adopted and ordered to be carried out by Ordinance No. 1455, as amended, there shall be issued and sold $1,800,000.00 par value of "Sewer Revenue Bonds, 1968," in place of the designation "Sewer Revenue Bonds, 1967," specified in Ordinance No. 1455, as amended, and, pursuant to Section 2 of this Ordinance, shall hereinafter be called the "Bonds." The Bonds shall be in denominations of $5,000.00 each; shall be dated October 1, 1968; and shall bear interest at the rates set forth below, payable semiannually on April 1 and October 1 of each year, interest to maturity to be evidenced by coupons to be attached to the Bonds, with full obligation on the part of the City to pay interest at the same rate from and after the Bond maturity dates until the Bonds with interest are paid in full. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America at the office of the City Treasurer of the City of Kent, Washington, solely out of the special fund created and established by Ordinance No. 1455 and therein designated "Sewer Revenue Bond Fund, 1967," which designation is hereby changed to "Sewer Revenue Bond Fund, 1968," and, pursuant to Section 2 of this Ordinance, shall hereinafter be called the "Bond Fund." The Bonds shall be numbered, mature serially, and bear interest in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Bond Numbers (Inclusive)</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Maturities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 10</td>
<td>$50,000</td>
<td>5.50%</td>
<td>October 1, 1969</td>
</tr>
<tr>
<td>11 to 23</td>
<td>65,000</td>
<td>5.50%</td>
<td>October 1, 1970</td>
</tr>
<tr>
<td>24 to 36</td>
<td>65,000</td>
<td>5.50%</td>
<td>October 1, 1971</td>
</tr>
<tr>
<td>37 to 49</td>
<td>65,000</td>
<td>5.50%</td>
<td>October 1, 1972</td>
</tr>
<tr>
<td>50 to 62</td>
<td>65,000</td>
<td>5.50%</td>
<td>October 1, 1973</td>
</tr>
<tr>
<td>63 to 74</td>
<td>60,000</td>
<td>5.50%</td>
<td>October 1, 1974</td>
</tr>
<tr>
<td>75 to 84</td>
<td>50,000</td>
<td>5.50%</td>
<td>October 1, 1975</td>
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<td>85 to 95</td>
<td>55,000</td>
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<tr>
<td>96 to 106</td>
<td>55,000</td>
<td>5.50%</td>
<td>October 1, 1977</td>
</tr>
<tr>
<td>107 to 117</td>
<td>55,000</td>
<td>5.50%</td>
<td>October 1, 1978</td>
</tr>
<tr>
<td>118 to 128</td>
<td>55,000</td>
<td>5.50%</td>
<td>October 1, 1979</td>
</tr>
<tr>
<td>129 to 139</td>
<td>55,000</td>
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<td>October 1, 1980</td>
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<tr>
<td>140 to 150</td>
<td>55,000</td>
<td>5.50%</td>
<td>October 1, 1981</td>
</tr>
<tr>
<td>151 to 161</td>
<td>55,000</td>
<td>5.50%</td>
<td>October 1, 1982</td>
</tr>
<tr>
<td>162 to 173</td>
<td>60,000</td>
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<td>October 1, 1983</td>
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<td>174 to 185</td>
<td>60,000</td>
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<td>October 1, 1984</td>
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<tr>
<td>186 to 197</td>
<td>60,000</td>
<td>5.50%</td>
<td>October 1, 1985</td>
</tr>
<tr>
<td>198 to 213</td>
<td>80,000</td>
<td>5.50%</td>
<td>October 1, 1986</td>
</tr>
<tr>
<td>214 to 229</td>
<td>80,000</td>
<td>5.50%</td>
<td>October 1, 1987</td>
</tr>
<tr>
<td>230 to 245</td>
<td>80,000</td>
<td>5.60%</td>
<td>October 1, 1988</td>
</tr>
<tr>
<td>Bond Numbers (Inclusive)</td>
<td>Amount</td>
<td>Interest Rate</td>
<td>Maturities</td>
</tr>
<tr>
<td>-------------------------</td>
<td>---------</td>
<td>---------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>246 to 269</td>
<td>$120,000</td>
<td>5.60%</td>
<td>October 1, 1989</td>
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<tr>
<td>270 to 284</td>
<td>75,000</td>
<td>5.60%</td>
<td>October 1, 1997</td>
</tr>
<tr>
<td>285 to 360</td>
<td>380,000</td>
<td>5.60%</td>
<td>October 1, 1998</td>
</tr>
</tbody>
</table>

Section 4. At the time of delivery of the Bonds to the purchaser thereof, the City shall redeem Bonds Nos. 301 to 360, inclusive, at par plus accrued interest to date of redemption.

Bonds numbered 1 to 117, inclusive, maturing October 1, 1969, to October 1, 1978, inclusive, shall be issued without the right or option of the City to call the same for redemption prior to their stated maturity dates.

The City reserves the right to redeem the remaining Bonds as a whole, or in part in inverse numerical order, on October 1, 1978, or on any subsequent interest payment date at the following redemption prices per each $100.00 par value thereof, if redeemed on the following dates, plus accrued interest to date of redemption in each case:

- October 1, 1978, or April 1, 1979, at $103.00
- October 1, 1979, or April 1, 1980, at $102.50
- October 1, 1980, or April 1, 1981, at $102.00
- October 1, 1981, or April 1, 1982, at $101.50
- October 1, 1982, or April 1, 1983, at $101.00
- October 1, 1983, or April 1, 1984, at $100.50
- October 1, 1984, and thereafter, at par.

Notice of any call for redemption of any of the Bonds prior to their stated maturity dates shall be published at least once in the official newspaper of the City not less than thirty nor more than forty-five days prior to the call date. Notice of that intended redemption shall also be mailed to McLean & Company, Inc., at its principal place of business in Tacoma, Washington, or its successor, not less than thirty nor more than forty-five days prior to the call date. In addition, such redemption notices shall be mailed to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York. Interest on any Bonds so called for redemption shall cease on the date fixed for such redemption upon payment of the redemption price into the Bond Fund.

The City further reserves the right to purchase any or all of the Bonds in the open market at any time at a price not in excess of the redemption price applicable at the time of such purchase.

Section 5. The Bond Fund is hereby divided into two accounts, namely, a "Principal and Interest Account" and a "Reserve Account." So long as any
Bonds are outstanding against the Bond Fund, the City Treasurer of the City of Kent shall set aside and pay into the Bond Fund a fixed amount without regard to any fixed proportion, as follows:

(a) Into the Principal and Interest Account, out of the Sewer Revenue Fund monthly, on or before the 20th day of each month, beginning with the month of October, 1968, and continuing thereafter one-sixth of the next ensuing six months' interest requirements of the Bonds, and in addition one-twelfth of the next ensuing twelve months' requirements for principal of the Bonds; and

(b) Into the Reserve Account, subject to section __10__, from the first assessments received or installments thereof and interest and any penalties thereon in Utility Local Improvement District No. 1, by October 1, 1973, a sum at least equal to the maximum annual amount required for debt service on any outstanding Bonds and Parity Bonds, excluding the principal but including the interest payable in any Term Bond Maturity Year. In the event that assessment payments shall be inadequate to build up the required amount by the above date, the City shall deposit sufficient amounts from the Sewer Revenue Fund to meet the requirements of this paragraph.

The Reserve Account may be accumulated from any other moneys which the City may have available for such purpose in addition to using assessments and revenues in the Sewer Revenue Fund therefor.

The City covenants and agrees that when the required amounts have been deposited in the Reserve Account, it will at all times maintain those amounts therein until there is a sufficient amount in the Principal and Interest Account and Reserve Account to pay the principal of, call premium if any, and interest on all outstanding bonds payable out of the Bond Fund, at which time the money in the Reserve Account may be used to pay such principal, call premium if any, and interest; except that moneys in the Reserve Account may be withdrawn to pay the principal of all or a part of any maturity then due of the Bonds or Parity Bonds or the principal, call premium if any, and interest on all of the outstanding bonds of any single issue or series of revenue bonds payable out of the Bond Fund so long as the moneys thereafter remaining on deposit in the Reserve Account meet the requirements of the immediately preceding paragraph of this section for all remaining bonds then outstanding payable out of the Bond Fund.
In the event there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either interest on or principal of and interest on the Bonds and any Parity Bonds outstanding, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from the Gross Revenues of the System of Sewerage and from moneys collected on utility local improvement district assessments or installments thereof and interest and any penalties thereon pledged by this and other ordinances of the City to be paid into the Bond Fund, which shall be first available after making necessary provisions for other required payments into the Bond Fund.

All moneys in the Reserve Account may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or may be invested in United States Government obligations maturing not later than five years from date of purchase and maturing not later than the last maturity of any outstanding bonds payable out of the Bond Fund. Interest earned on any such investments shall be deposited in and become a part of the Reserve Account until the total required reserve amount shall have been accumulated therein, after which such interest shall be deposited in the Principal and Interest Account.

It is hereby declared that in creating the Bond Fund and in fixing the amounts to be paid into it, as aforesaid, the City Council has due regard for the cost of operation and maintenance of the System of Sewerage and the debt service requirements for all other outstanding sewer revenue bonds of the City and hereby declares that the City Council is not setting aside into the Bond Fund a greater amount than in its judgment will be available over and above such costs of operation and maintenance and such debt service requirements.

If the City fails to set aside and pay into the Bond Fund the amounts above set forth, the holder of any of the outstanding bonds payable out of the Bond Fund may bring action against the City to compel such setting aside and payment.
Section 6. The Gross Revenues of the System of Sewerage and all assessments and installments thereof, plus interest and any penalties thereon, levied and hereafter collected in Utility Local Improvement District No. 1 and in any utility local improvement districts which may be hereafter created, the assessments of which are pledged by the City to be paid into the Bond Fund, are hereby pledged for the payment of the Bonds and any Parity Bonds which may be issued. The Bonds and any Parity Bonds shall constitute a lien or charge upon the Net Revenues of the System of Sewerage and such utility local improvement district assessments and payments prior and superior to any other charges whatsoever, except that the lien or charge upon such revenues for such bonds shall be subordinate and inferior to the prior lien or charge upon the Gross Revenues of the System of Sewerage for the presently outstanding 1959 Bonds, 1964 Bonds and 1966 Bonds.

Section 7. The City covenants and agrees with the owner and holder of each of the Bonds at any time outstanding, as follows:

(a) All assessments and installments thereof in Utility Local Improvement District No. 1 heretofore created and in any utility local improvement district hereafter created to secure the payment of the principal of and interest on any Parity Bonds which may be hereafter issued shall be paid into the Bond Fund and may be used to build up the required reserves in the Reserve Account and to pay the principal of and interest on the Bonds and/or such Parity Bonds, without those assessments or installments thereof or interest or penalties thereon being particularly allocated to the payment of the principal and interest of any particular issue of bonds. Nothing in this ordinance or this section shall be construed to prohibit the City from issuing sewer revenue bonds junior in lien to the Bonds and pledging as security for their payment assessments levied in any utility local improvement district which may have been specifically created to pay part of the cost of improvements to the System of Sewerage for which those junior lien bonds were specifically issued.

(b) It will establish, maintain and collect such rates and charges for sanitary sewage disposal service and for garbage and refuse collection and disposal service for so long as any of the Bonds and Parity Bonds are outstanding that will make available for the payment of the principal and interest of such bonds and the outstanding 1959 Bonds, 1964 Bonds and 1966 Bonds as the same shall become due Net Revenues of the System of Sewerage, together with all utility local improvement district assessments payable into the Bond Fund, an amount equal to at least 1.35 times the amount required in each calendar year to pay all of such principal and interest as the same become due that year, but excluding any Term Bond Maturity Year.
(c) It will use the Gross Revenues of the System of Sewerage for the following purposes only and in the following order of priority:

(1) To pay necessary expenses of operation and maintenance of the System of Sewerage, including payments due to the Municipality of Metropolitan Seattle for sewage treatment and disposal;

(2) To make all payments, as required to be made, into the reserve accounts and principal and interest accounts of the 1959 Bond Fund, 1964 Bond Fund and 1966 Bond Fund;

(3) To make all payments, as required to be made, into the Reserve Account and Principal and Interest Account of the Bond Fund for the Bonds and any Parity Bonds;

(4) To make all required payments into any other sewer (or water and sewer) revenue bond redemption fund or funds and reserve account or accounts therein which may be later created for the purpose of paying and securing the payment of the principal of and interest on any junior lien sewer (or water and sewer) revenue bonds hereafter issued by the City;

(5) To make necessary additions, betterments and improvements and repairs to or extensions and replacements of the System of Sewerage, or to expend such revenue for any other proper purposes connected with the operation of the System of Sewerage for which such money may be lawfully used; and

(6) To retire by redemption or purchase outstanding sewer (or water and sewer) revenue bonds of the City as authorized in the various bond ordinances of the City.

(d) It will at all times maintain and keep the System of Sewerage in good repair, working order and condition, and also, will at all times operate such system and the business in connection therewith in an efficient manner and at a reasonable cost.

(e) It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the System of Sewerage unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all Bonds and Parity Bonds at any time outstanding, and that it will not sell, lease, mortgage or in any manner encumber or dispose of any part of the property of that system that is used, useful and material to the operation thereof unless provision is made for replacement thereof or for payment into the Bond Fund of an amount which shall not be less than an amount which shall bear the same ratio to the amount of outstanding Bonds and Parity Bonds as the revenue available for debt service for such outstanding Bonds and Parity Bonds for the twelve months preceding such sale, lease, encumbrance or disposal from the portion of the system sold, leased, encumbered or disposed of bears to the revenue available for debt service for such Bonds and Parity Bonds from the entire system for the same period. Any such money so
paid into the Bond Fund shall be used to retire such outstanding Bonds at the earliest possible date.

(f) It will while any of the Bonds or Parity Bonds remain outstanding keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to its System of Sewerage, and it will furnish the original purchaser or purchasers of the Bonds and Parity Bonds, or any subsequent holder or holders thereof, at the written request of such holder or holders, complete operating and income statements of the System of Sewerage in reasonable detail covering any calendar year not more than ninety (90) days after the close of such calendar year, and it will grant any holder or holders of at least twenty-five percent (25%) of the outstanding Bonds and Parity Bonds, the right at all reasonable times to inspect the entire system and all records, accounts and data of the City relating thereto. Upon request of any holder of any of the Bonds or Parity Bonds, it also will furnish such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

(g) It will not furnish sanitary sewage disposal service or garbage and refuse collection and disposal service to any customer whatsoever free of charge, and it will promptly take legal action to enforce collection of delinquent accounts and assessments.

(h) It will carry the types of insurance on its System of Sewerage properties in the amounts normally carried by private sewer companies engaged in the operation of sewer systems. The cost of such insurance shall be considered a part of operating and maintaining that system. If, as and when, the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain such insurance on all or such portions of the System of Sewerage on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof.

(i) It will pay all costs of maintenance and operation of the System of Sewerage and the debt service requirements for the outstanding 1959 Bonds, 1964 Bonds and 1966 Bonds, and otherwise meet the obligations of the City, as herein set forth.

**Section 8.** The Bonds shall be in substantially the following form:

No. ______ $5,000.00

UNITED STATES OF AMERICA
STATE OF WASHINGTON
CITY OF KENT
SEWER REVENUE BOND, 1968

_____%
KNOW ALL MEN BY THESE PRESENTS: That the City of Kent, a municipal corporation of the State of Washington, for value received, promises to pay to the bearer the principal sum of

FIVE THOUSAND DOLLARS

on the FIRST DAY OF OCTOBER, 19______, together with interest thereon at the rate of ______% per annum, payable semiannually on the first days of April and October of each year, upon the presentation and surrender of the attached interest coupons as they severally mature up to the bond maturity date, with full obligation on the part of the City to pay interest at the same rate from and after the bond maturity date until this bond, with interest, is paid in full, or until there is sufficient money in the bond redemption fund hereinafter referred to for such payment in full and this bond has been duly called for redemption. Both principal and interest are payable in lawful money of the United States of America at the office of the City Treasurer of Kent, Washington, solely out of the special fund created by Ordinance No. 1455, as amended, and known as the "Sewer Revenue Bond Fund, 1968" (hereinafter called the "Bond Fund").

This bond is one of a total issue of $1,800,000.00 par value of bonds, all of like date, tenor and effect, except for maturities, interest rates and options of redemption, all payable from the Bond Fund and all issued by the City of Kent under and pursuant to the laws of the State of Washington and Ordinances Nos. 1455, as amended, and 15-3/4% of the City, for the purpose of providing a part of the funds to pay the cost of carrying out the system or plan for making additions to and betterments and extensions of the existing system of sewerage of the City, as adopted and ordered to be carried out by Ordinance No. 1455, as amended. Reference is made to Ordinances Nos. 1455, and 15-3/4% as more fully describing the covenants with and rights of holders of bonds of this issue.

At the time of delivery of the bonds of this issue to the original purchaser thereof, the City shall redeem bonds numbered 301 to 360, inclusive, at par plus accrued interest to date of redemption. Bonds numbered 1 to 117, inclusive, maturing October 1, 1969, to October 1, 1978, inclusive, are issued without the right or option of the City to call the same for redemption prior to their stated maturity dates. The City has reserved the right to redeem the remaining bonds of this issue as a whole, or in part in inverse numerical order, on October 1, 1978, or on any subsequent interest payment date at the following redemption prices per each $100.00 par value thereof, if redeemed on the following dates, plus accrued interest to date of redemption in each case:

October 1, 1978, or April 1, 1979, at $103.00
October 1, 1979, or April 1, 1980, at $102.50
October 1, 1980, or April 1, 1981, at $102.00
October 1, 1981, or April 1, 1982, at $101.50
October 1, 1982, or April 1, 1983, at $101.00
October 1, 1983, or April 1, 1984, at $100.50
October 1, 1984, and thereafter, at par.

Notice of any call for redemption of any of the bonds of this issue prior to their stated maturity dates shall be published at least once in the official newspaper of the City not less than thirty nor more than forty-five days prior to the call date. Notice of that intended redemption shall also be mailed to McLean & Company, Inc., at its principal place of business in Tacoma, Washington, or its successor, not less than thirty nor more than forty-five days prior to the call date. In addition, such redemption notices shall be mailed to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York. Interest on any bonds so called for redemption shall cease on the date fixed for such redemption upon payment of the redemption price into the Bond Fund.

The bonds of this issue constitute a lien or charge upon the gross revenues of the system of sewerage of the City, including the system and plant for garbage and refuse collection and disposal combined with the system of sewerage pursuant to Ordinance No. 1338 (which combined systems are herein referred to as the "system of sewerage"), and the special assessments levied in Utility Local Improvement District No. 1 of the City and any other utility local improvement district assessments the payment of which must be made into the Bond Fund, prior and superior to any other charges whatsoever, excluding charges for maintenance and operation, except that the lien or charge upon those gross revenues are subordinate and inferior to the prior lien or charge upon such gross revenues for the payment of the principal of and interest on the outstanding "Sewer Revenue Bonds, 1959," the outstanding "Sewer Revenue Bonds, 1964, Series A," and the outstanding "Sewer Revenue Bonds, 1966," hereinafter referred to as the "prior lien bonds," but such lien or charge shall be on a parity of lien with any additional and/or refunding bonds hereafter issued on a parity of lien with the bonds of this issue in accordance with the provisions of Section 9 of Ordinance No. 53.

The City has covenanted to establish, maintain and collect such rates and charges for sanitary sewage disposal service and garbage and refuse collection and disposal service for so long as any bonds of this issue are outstanding that will provide revenue equal to at least 1.35 times the amount required in any calendar year to pay the principal of and interest on the outstanding bonds of this issue, prior lien bonds,
and bonds hereafter is sued on a parity of lien with the bonds of this issue as the same shall become due in that calendar year, after necessary costs of maintenance and operation of the system have been paid, but before depreciation.

The City further covenants and agrees to maintain in good condition and to operate the system of sewerage and all additions thereto and betterments, replacements and extensions thereof, and to establish, maintain and collect such rates for sanitary sewage disposal service and for garbage and refuse collection and disposal service as will produce gross revenues from the system of sewerage sufficient to permit payment into the Bond Fund of the amounts required for the payment of the principal of and interest on the bonds of this issue as they become due and the amounts to be paid into the "Reserve Account" in the Bond Fund, and in addition thereto to pay all costs of maintenance and operation of the System of Sewerage and the debt service requirements of the prior lien bonds, and otherwise to meet the obligations of the City as herein set forth.

It is hereby certified and declared that the bonds of this issue are issued pursuant to and in strict compliance with the constitution and laws of the State of Washington and the ordinances of the City of Kent, and that all acts, conditions and things required to happen, be done, or be performed precedent to and in the issuance of this bond have happened, have been done and have been performed as required by law.

IN WITNESS WHEREOF the City of Kent, Washington, has caused this bond to be signed by the facsimile signature of its Mayor and the manual signature of its Clerk and its corporate seal to be hereto affixed, and the interest coupons attached to be signed with the facsimile signatures of those officials this first day of October, 1968.

CITY OF KENT, WASHINGTON

By (facsimile signature)
Mayor

ATTEST:

Clerk

The interest coupons attached to the Bonds shall be in substantially the following form:
On the FIRST DAY OF (APRIL) (OCTOBER), 19__, the CITY OF KENT, WASHINGTON, upon presentation and surrender of this coupon, will pay to bearer at the office of the City Treasurer, the sum shown hereon in lawful money of the United States of America from the special fund of the City known as the "Sewer Revenue Bond Fund, 1968," that sum being six months' interest then due on its "Sewer Revenue Bond, 1968," dated October 1, 1968, and numbered ________.

CITY OF KENT, WASHINGTON

By (facsimile signature) Mayor

ATTEST:

(facsimile signature) Clerk

Section 9. The Bonds shall be printed on lithographed forms, shall be signed by the facsimile signature of the Mayor and attested by the manual signature of the Clerk, and shall have the seal of the City of Kent affixed thereto, and the coupons shall bear the facsimile signatures of the Mayor and the Clerk.

Section 10. The City covenants and agrees that for as long as any of the Bonds is outstanding it will not create any special fund or funds for the payment of the principal of and interest on any other sewer revenue bonds and shall not issue any such bonds which would rank on a parity with or have priority over the payments into the Bond Fund to be made out of the Gross Revenues of the System of Sewerage except that the City reserves the right for

(1) the purpose of acquiring, constructing and installing additions to and betterments, improvements and extensions of, acquiring necessary equipment for or making necessary replacements of equipment or capital improvements to, the System of Sewerage, or

(2) the purpose of exchanging or purchasing or refunding and retiring prior to or at maturity any outstanding sewer revenue bonds of the City, to issue additional and/or refunding Parity Bonds therefor, and to make payments into the Bond Fund from the Gross Revenues of the System of Sewerage, together with assessments or installments and interest and
penalties thereon collected in any utility local improvement district to be paid into the Bond Fund, sufficient to pay the principal of and interest on such Parity Bonds and to maintain a reserve therefor, as hereinafter required, which such payments may rank equally with the payments out of such Gross Revenues, assessments or installments thereof and interest thereon collected, required by this Ordinance to be made into the Bond Fund and Reserve Account created therein, in compliance with the following conditions:

(a) All payments then required by this ordinance and all payments then required by any ordinance hereafter adopted pertaining to any Parity Bonds hereafter issued shall have been made into the Bond Fund and that there shall be no deficiency therein; and

(b) The ordinance providing for the issuance of such additional Parity Bonds shall provide that all assessments and interest and penalties thereon, which may be levied in any utility local improvement districts hereafter created for the purpose of paying in whole or in part the principal of and interest on such additional Parity Bonds, shall be paid directly into the Bond Fund; and

(c) The ordinance providing for the issuance of such additional bonds shall provide for the payment of the principal thereof and interest thereon out of the Bond Fund and shall further provide for the immediate payment into the Reserve Account in the Bond Fund out of such assessments levied and first collected for the payment of the principal of and interest on such additional Parity Bonds and, if necessary, out of any other moneys of the City available for such purpose, of an amount, in addition to the amounts required to be maintained in the Reserve Account for the then outstanding Bonds and any Parity Bonds theretofore issued, equal to the maximum annual principal and interest requirements of those additional Parity Bonds, including the interest on, but excluding the principal of, bonds payable within a Term Bond Maturity Year. In the event no assessments are levied for the payment of the principal of and interest on such additional revenue bonds, or insufficient assessments are collected to meet such requirements, then the City shall pay such amount into the Reserve Account within five years from the date of issuance of such bonds. In the case of refunding Parity Bonds, the ordinance authorizing the issuance of such refunding Parity Bonds shall provide that the money in the Reserve Account for the bonds to be refunded shall be retained in the Bond Fund as a reserve for the refunding bonds, or the money in any other reserve account or fund for the bonds being refunded shall be transferred to the Reserve Account in the Bond Fund, but if such amount does not equal the above requirements of such bonds, such required reserve for the refunding Parity Bonds shall be accumulated in the same manner and within the same time as set forth herein for additional Parity Bonds.
(d) There shall be on file with the City a certificate of a professional engineer experienced in municipal utilities and licensed to practice in the State of Washington, or a certified public accountant, to the effect that the Net Revenues of the System of Sewerage for any twelve consecutive calendar months out of the immediately preceding fifteen calendar months' period (if the System of Sewerage or portion thereof does not have an operating experience of at least twelve calendar months, then the Net Revenue shall be projected for a full twelve-month period), together with assessments, both principal and interest, collected in Utility Local Improvement District No. 1 and in any other utility local improvement district hereafter created, the assessments in which are to be paid into the Bond Fund, together with the additional Net Revenues reasonably anticipated to be received from the making of the improvements in connection with which the additional Parity Bonds are proposed to be issued, together with the collection of assessments, both principal and interest, reasonably anticipated to be collected in any utility local improvement districts created to pay in whole or in part such additional Parity Bonds, together with revenues projected to twelve months from users of the System of Sewerage for less than twelve months, together with any increase in Net Revenues reasonably anticipated to result from any change in the schedule of charges for the System of Sewerage to be put into effect prior to the issuance of such additional bonds, and together with any increase or decrease in Net Revenues reasonably anticipated to result from a normal growth or shrinkage in the number of customers on the System of Sewerage, less additional maintenance and operation costs attributable to the improvements to be made from the proceeds of those additional Parity Bonds, to the effect that such Net Revenues, earnings, collections and income are deemed sufficient to equal at least 1.35 times the principal and interest requirements during each calendar year of the outstanding Bonds and Parity Bonds, the additional Parity Bonds to be issued, and any outstanding 1959 Bonds, 1964 Bonds and 1966 Bonds up to the final maturity date thereof, excluding in both cases the principal requirements, but including the interest requirements, of bonds maturing in any Term Bond Maturity Year. If such additional Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding sewer (or water and sewer) revenue bonds, such certification of coverage shall not be required if the amount required for payment of the principal and interest in each year for the refunding Parity Bonds is not increased over the amount required for the bonds to be refunded thereby and the maturities of the refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby.

The right to issue hereafter any additional bonds on a parity of lien with the outstanding 1959 Bonds, 1964 Bonds and 1966 Bonds is cancelled and rescinded.

Section II. McLean & Company, Inc., of Tacoma, Washington, has offered to purchase the Bonds as evidenced by its written offer on file with the City Clerk. The City Council, being of the opinion that such offer was the best that could be obtained and that it was in the best interest of
the City that the same be accepted, duly accepted the same on September 16, 1968, and that acceptance is hereby ratified and confirmed. The Bonds shall, therefore, immediately upon their execution and delivery to the City Treasurer be delivered to such purchaser upon payment therefor in accordance with such accepted offer.

The City Treasurer is hereby authorized and requested to deposit in the Bond Fund the accrued interest received at the delivery of the Bonds and the principal proceeds received from the sale of the Bonds in the "Sewer Construction Fund, 1967" created and established in the office of the City Treasurer by Ordinance No. 1455. The moneys in that construction fund shall be used to pay the costs of carrying out the improvement ordered to be carried out by Ordinance No. 1455, as amended, and to redeem revenue warrants payable from the Fund.

At the time of the delivery of the Bonds to the purchaser thereof, the City shall forthwith redeem Bonds Nos. 301 to 360, inclusive, by the payment of the principal thereof and accrued interest thereon from moneys in the Bond Fund derived from the prepayment of assessments in Utility Local Improvement District No. 1. In addition, $75,000.00 of such prepaid assessments shall be deposited into the Reserve Account and the balance of such prepaid assessments shall be deposited in the Principal and Interest Account.

PASSED by the City Council of the City of Kent, Washington, and APPROVED by its Mayor, at a regular meeting held on the 16th day of September, 1968.

Mayor

ATTEST:

City Clerk

FORM APPROVED:

City Attorney
I, MARIE JENSEN, City Clerk of the City of Kent, Washington, do hereby certify that the attached ordinance is a full, true and complete copy of the original Ordinance No. 25-34, passed on the 16th day of September, 1968, as that ordinance appears on the Minute Book of the City.

DATED this 16th day of September, 1968.

MARIE JENSEN, City Clerk