CITY OF KENT, WASHINGTON

ORDINANCE NO. 1822

AN ORDINANCE providing for the issuance and sale of $1,005,000.00 par value of "Water Revenue Refunding Bonds, 1973," for the purpose of providing funds to redeem $1,000,000.00 par value of its outstanding "Water Revenue Bonds, 1970"; fixing the date, form, denomination, maturities, interest rate, terms and covenants of such refunding bonds; creating a special account in the bond redemption fund to provide for the refunding operation; providing for and authorizing the purchase of certain direct obligations of the United States of America out of the proceeds of the sale of such refunding bonds and for the use and application of the moneys to be derived from such investment; providing for the redemption on December 1, 1985, of the outstanding "Water Revenue Bonds, 1970"; and providing for the sale and delivery of the refunding bonds to Foster & Marshall Inc. of Seattle, Washington.

WHEREAS, the City has heretofore issued under date of May 1, 1963, pursuant to Ordinance No. 1178 its "Water Revenue Bonds, 1963, Issue No. 1," in the principal amount of $327,000.00 for the purpose of refunding the then outstanding "Water Revenue Bonds, 1959," of the City; and

WHEREAS, pursuant to the provisions of Section 9 of said Ordinance No. 1178 the City covenanted and agreed that it would not issue any Parity Revenue Bonds (as herein defined) unless it should first satisfy the following conditions:

"(a) At the time of the issuance of such Parity Revenue Bonds there shall be no deficiency in either the Principal and Interest Account or Reserve Account of the Bond Fund.

"(b) The City shall have covenanted in each ordinance authorizing the issuance of Parity Revenue Bonds that it will establish, maintain and collect rates and charges for water (and for sanitary sewage disposal service in the event that the sanitary sewerage system of the City ever becomes a part of the Water System) for as long as any of the Bonds and any Parity Revenue Bonds are outstanding as will make available for payment of the principal of and interest on all of such bonds, as the same shall become due, an amount equal to at least 1.35 times the average annual amount required for the payment
of all such principal and interest, exclusive of the principal requirements in any Term Bond Year, after necessary costs of maintenance and operation of the Water System shall have been paid, but before depreciation.

"(c) The City shall have covenanted in each ordinance authorizing the issuance of Parity Revenue Bonds that it will pay into the Reserve Account of the Bond Fund within five years of the date of issuance of such Parity Revenue Bonds an amount which, with the money in the Reserve Account, will be at least equal to the next year's debt service on all outstanding bonds, the principal of and interest on which are payable out of the Bond Fund, and will further provide in each such ordinance for additional payments to be made into the Reserve Account if necessary so that there shall be on deposit therein at all times after each of those five year periods an amount at least equal to the next succeeding year's debt service on all bonds payable out of the Bond Fund. To satisfy the Reserve Account requirement, the whole or any part of the money in any other reserve fund or account of the City created to secure the payment of the principal of or interest on any revenue bonds or revenue coupon warrants being refunded by such Parity Revenue Bonds may be transferred to the Reserve Account at the time such outstanding bonds or warrants are redeemed.

"(d) At the time of the issuance of such Parity Revenue Bonds, except the 'Water Revenue Bonds, 1963, Issue No. 2,' the City shall have on file a certificate from an independent licensed professional engineer showing that in his professional opinion the net revenue of the Water System which will be available in each succeeding year for the payment of the principal of and interest on the Bonds, any Parity Revenue Bonds then outstanding, and the Parity Revenue Bonds to be issued as all of the same shall become due (except for those Bonds or any then outstanding Parity Revenue Bonds that are to be refunded by the Parity Revenue Bonds to be issued) will equal at least 1.35 times the average annual amount required for the payment of the principal of and interest on all such bonds, exclusive of the principal requirement in any Term Bond Year.

"For the purpose of the engineer's certificate, the words 'net revenue of the Water System which will be available . . . for the payment of the principal of and interest on all of such bonds' shall mean the gross operating revenues and receipts of the Water System after deducting therefrom all necessary expenses of maintenance and operation thereof, but before depreciation and annual debt service on any outstanding revenue bonds or revenue coupon warrants that may have a lien on the gross revenue of the Water System junior and inferior to the lien thereon for the payment of the principal of and interest on the Bonds. The net revenue may be based on any increase in revenues to be derived by an increase in water rates and charges (and any charges for sanitary sewage disposal service should the sanitary sewerage system of the City ever be combined with the Water System) authorized by the City Council to be effective by the time delivery of such Parity Revenue Bonds is made"; and
WHEREAS, pursuant to Ordinance No. 1179 the City heretofore issued under date of May 1, 1963, its "Water Revenue Bonds, 1963, Issue No. 2," in the principal sum of $1,000,000.00 for the purpose of obtaining funds to pay the cost of carrying out a system or plan of additions to and betterments and extensions of the water supply and distribution system of the City, and for the purpose of refunding all outstanding "Water Revenue Bonds, 1948," "Water Revenue Bonds, 1957," and "Water Revenue Bonds, 1958," which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued on a parity of lien with the "Water Revenue Bonds, 1963, Issue No. 1"; and

WHEREAS, pursuant to Ordinance No. 1269 the City heretofore issued under date of November 1, 1964, its "Water Revenue Bonds, 1964," in the principal sum of $1,210,000.00 par value for the purpose of obtaining funds to pay the cost of carrying out the system or plan for making additions to and betterments and extensions of the existing water supply and distribution system of the City specified and adopted in said Ordinance No. 1269 and for the purpose of paying the cost of excess water pipe capacity in Local Improvement Districts Nos. 245 and 246 heretofore created, which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued on a parity of lien with the "Water Revenue Bonds, 1963, Issue No. 1," and the "Water Revenue Bonds, 1963, Issue No. 2," and

WHEREAS, pursuant to Ordinance No. 1691 the City heretofore issued $1,000,000.00 par value of "Water Revenue Bonds, 1970" (hereinafter referred to as the "1970 Bonds"), for the purpose of obtaining a part of the funds to pay the cost of carrying out certain portions of the system or plan for making additions to and betterments and extensions of the existing water supply and distribution system of the City specified and adopted by Ordinance No. 1408 and for the purpose of paying the costs of excess water pipe capacity in Local Improvement District Nos. 252 heretofore created, which 1970 Bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued on a parity of lien with the "Water Revenue Bonds, 1963, Issue

WHEREAS, as provided in Ordinance No. 1691 and in the outstanding 1970 Bonds the City reserved the right to redeem such outstanding 1970 Bonds in inverse numerical order on December 1, 1985, or on any semiannual interest payment date thereafter, at par, plus accrued interest to date of redemption, and all of said outstanding 1970 Bonds will be outstanding on December 1, 1985, and bear interest at the rate of 7-5/8% per annum; and

WHEREAS, after due consideration it appears to the City Council that all of the outstanding 1970 Bonds may be refunded at the earliest possible date by the issuance and sale of refunding bonds so that a substantial savings will be effected by the difference between the principal and interest cost over the life of the refunding bonds and the principal and interest cost over the life of such outstanding 1970 Bonds; and

WHEREAS, in order to effect such refunding in the manner that will be most advantageous to the City it is hereby found necessary and advisable that certain direct obligations of the United States of America, bearing interest and maturing at such time or times as necessary to pay the interest on the refunding bonds until the said outstanding 1970 Bonds are refunded and retired and to pay the principal of such outstanding 1970 Bonds on the date when such bonds are to be called for such redemption, be purchased out of the proceeds of the sale of the refunding bonds herein authorized; and

WHEREAS, the City Council hereby finds that no deficiency exists in either the Principal and Interest Account or the Reserve Account of the "Water Revenue Bond Redemption Fund, 1963," created by Ordinance No. 1178 and referred to as the "Bond Fund"; that provision is hereinafter made for the required coverage covenant; that provision is hereinafter made for the retention in the Reserve Account in the Bond Fund for the refunding bonds to be issued
of the amount required to be accumulated therein for the outstanding 1970 Bonds to be refunded; and that Walter G. Ramsey of Hill, Ingman, Chase & Co., an independent licensed professional engineer, has certified that the net revenues of the Water System will be sufficient to meet the 1.35 coverage requirement above set forth as evidenced by his certificate to such effect on file with the City Clerk, such certifying engineer having taken into consideration the fact that no debt service payable out of the net revenues of the Water System will arise for the refunding bonds until after December 1, 1985, and that debt service payable out of such revenues for the outstanding 1970 Bonds to be refunded will continue only until December 1, 1985, at which time the outstanding 1970 Bonds will be paid and retired and debt service on the refunding bonds payable out of such revenues will then commence on such date; NOW, THEREFORE,

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

Section 1. As used in this ordinance the following words shall have the following meanings:

(a) "Bonds" shall mean the "Water Revenue Refunding Bonds, 1973," authorized to be issued by this ordinance.

(b) "Bond Fund" shall mean the "Water Revenue Bond Redemption Fund, 1963," created by Ordinance No. 1178, passed April 1, 1963.

(c) "1963 Bonds, Issue No. 1," shall mean the "Water Revenue Bonds, 1963, Issue No. 1," authorized to be issued by Ordinance No. 1178, passed April 1, 1963.


(e) "1964 Bonds" shall mean the "Water Revenue Bonds, 1964," authorized to be issued by Ordinance No. 1269, passed October 5, 1964.
"1970 Bonds" shall mean the "Water Revenue Bonds, 1970," authorized to be issued by Ordinance No. 1691, passed November 2, 1970.

"Parity Revenue Bonds" shall mean any revenue bonds of the City issued in accordance with the provisions of Section 9 of Ordinance No. 1178, where the City has pledged to pay the principal of and interest on such bonds out of the gross revenues of the Water System on a parity with the payments required by Ordinance No. 1178 to be made out of those revenues for the 1963 Bonds, Issue No. 1, by Ordinance No. 1179 for the 1963 Bonds, Issue No. 2, by Ordinance No. 1269 for the 1964 Bonds, by Ordinance No. 1691 for the 1970 Bonds (prior to their retirement on December 1, 1985) and by this Ordinance for the Bonds (after the retirement on December 1, 1985, of the 1970 Bonds).

"Term Bond Maturity Year" shall mean any calendar year or years in which the 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds, 1970 Bonds, the Bonds or any Parity Revenue Bonds of any one issue or series mature (regardless of reservation of prior redemption rights) in an amount which is more than 1.25 times the average annual maturities of the outstanding bonds of that issue or series for three calendar years immediately preceding such calendar year or years.

"Water System" shall mean the existing water supply and distribution system of the City as the same may be added to, improved and extended at any time hereafter for as long as the 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds, 1970 Bonds, the Bonds and any Parity Revenue Bonds are outstanding, and which additions, improvements and extensions shall include the sanitary sewerage system of the City, should it ever be combined with the water supply and distribution system in the manner authorized by law.

Section 2. For the purpose of providing the funds to redeem and retire on December 1, 1985, all of the outstanding 1970 Bonds in the principal amount of $1,000,000.00 and to pay the costs
of such refunding plan, there shall be issued and sold $1,005,000.00 par value of refunding water revenue bonds of the City. The bonds shall be designated "Water Revenue Refunding Bonds, 1973" (herein defined as the "Bonds"). The Bonds shall be in denominations of $5,000.00 each, shall be numbered from 1 to 201, inclusive, shall be dated March 1, 1973, shall bear interest at the rate of 5.70%, payable on September 1, 1973, and semiannually thereafter on each succeeding March 1 and September 1, 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 or funds sufficient to pay such Bonds with interest in full are on deposit in the bond redemption fund hereinafter referred to and the Bonds have been duly called for redemption. The Bonds shall mature in accordance with the following schedule, to-wit:

<table>
<thead>
<tr>
<th>Bond Numbers (Inclusive)</th>
<th>Amounts</th>
<th>Maturities</th>
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<tbody>
<tr>
<td>1 to 3</td>
<td>$15,000</td>
<td>September 1, 1986</td>
</tr>
<tr>
<td>4 to 6</td>
<td>$15,000</td>
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</tr>
<tr>
<td>7 to 9</td>
<td>$15,000</td>
<td>September 1, 1988</td>
</tr>
<tr>
<td>10 to 13</td>
<td>$20,000</td>
<td>September 1, 1989</td>
</tr>
<tr>
<td>14 to 17</td>
<td>$20,000</td>
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<tr>
<td>18 to 21</td>
<td>$20,000</td>
<td>September 1, 1991</td>
</tr>
<tr>
<td>22 to 25</td>
<td>$20,000</td>
<td>September 1, 1992</td>
</tr>
<tr>
<td>26 to 30</td>
<td>$25,000</td>
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<td>36 to 67</td>
<td>$160,000</td>
<td>September 1, 1995</td>
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<td>68 to 102</td>
<td>$175,000</td>
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<td>103 to 139</td>
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</tr>
<tr>
<td>140 to 178</td>
<td>$195,000</td>
<td>September 1, 1998</td>
</tr>
<tr>
<td>179 to 201</td>
<td>$115,000</td>
<td>September 1, 1999</td>
</tr>
</tbody>
</table>

Section 3. 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 Treasurer of the City of Kent, Washington, or, at the option of the holder, at either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York. The Bonds shall be payable solely out of the special fund created by Ordinance No. 1178 and known as the "Water Revenue Bond Redemption Fund, 1963" (hereinafter referred to as the "Bond Fund"), and shall be a valid claim of the holder thereof only as
against such special fund and the fixed amount of the gross revenues of the Water System pledged to such fund (including the investment income from United States obligations to pay interest on the Bonds to December 1, 1985), and shall not be a general obligation of the City of Kent.

Section 4. The City of Kent reserves the right to redeem the Bonds as a whole, or in part in inverse numerical order, on March 1, 1986, or on any subsequent interest payment date at par, plus accrued interest to date of redemption.

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 said intended redemption shall also be mailed to Foster & Marshall Inc. at its principal place of business in Seattle, Washington, or its successor, not less than thirty nor more than forty-five days prior to the call date. In addition, such redemption notice shall be mailed to Moody's Investors Service, Inc., and Standard & Poor's Corporation, at their offices in New York, New York, but the mailing of such notice to such corporations shall not be a condition precedent to the redemption of such Bonds. 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 par plus accrued interest.

Section 5. The Bond Fund has, by Ordinance No. 1178, been divided into a Principal and Interest Account and a Reserve Account. There is hereby also created and established in the Bond Fund a third account to be known as the "1973 Refunding Bonds Account." Immediately upon receipt of payment in full for the Bonds a sufficient amount of the principal proceeds received, together with the accrued interest received, shall be deposited in the 1973 Refunding Bonds
Account to purchase from Foster & Marshall Inc. $1,000,000.00 par value of United States Treasury bonds due August 15, 1984, bearing 6-3/8% interest, at a price of par, plus accrued interest, and the City Treasurer shall consummate such purchase. The balance of the principal proceeds received shall be deposited in the "Water Construction Fund" of the City and shall be used toward payment of the costs of the refunding operation. Foster & Marshall Inc. will pay the remaining costs of the refunding operation.

The United States Treasury bonds to be purchased as above provided shall be registered as to principal and interest in the name of the "Treasurer of the City of Kent, Washington, Trustee for the Water Revenue Bond Redemption Fund, 1963, 1973 Refunding Bonds Account." All of such United States Treasury bonds shall be held in the custody of the City Treasurer for such 1973 Refunding Bonds Account in the Bond Fund and shall be placed in safekeeping with any bank normally used by such City Treasurer for safekeeping of City securities.

All the money received as principal of or interest on such Government obligations shall be held by the City Treasurer for the credit of the City for the 1973 Refunding Bonds Account in the Bond Fund and shall be held in trust and shall be used for the sole purpose of paying the interest on the Bonds until the outstanding 1970 Bonds shall have been called, retired and paid and for the purpose of paying the principal of said outstanding 1970 Bonds on the date they are to be called for redemption as aforesaid. All interest on and principal of the above-described Government obligations received prior to the time such money is needed to make any payment of interest on the Bonds or the principal of the outstanding 1970 Bonds to be called and retired on December 1, 1985, as provided herein, may not be reinvested unless under the applicable statutes of the United States of America and United States Treasury Department regulations promulgated pursuant thereto pertaining to arbitrage bonds would permit the investment or reinvestment of such principal and interest received on such Government obligations in which event such interest
and principal may be invested and reinvested in such investments as are then permitted under applicable statutes of the State of Washington maturing prior to the date or dates such moneys will be needed for such payment.

Any moneys remaining in the 1973 Refunding Bonds Account in the Bond Fund after the payment and retirement in full of the outstanding 1970 Bonds on December 1, 1985, shall be transferred and paid into the Principal and Interest Account in the Bond Fund. All of such United States Treasury obligations purchased as a part of the refunding plan are irrevocably dedicated to the purpose of paying the interest on the Bonds until December 1, 1985, and to the purpose of retiring and refunding the outstanding 1970 Bonds on December 1, 1985, and such investments or the earnings or proceeds therefrom may be used for no other purpose nor may any of such investments be liquidated prior to maturity.

Section 6. So long as any of the Bonds is outstanding against the Bond Fund the Treasurer of the City of Kent shall set aside and pay into the Principal and Interest Account of the Bond Fund, in addition to the amounts covenanted to be paid therein by Ordinance No. 1178 for the 1963 Bonds, Issue No. 1, by Ordinance No. 1179 for the 1963 Bonds, Issue No. 2, by Ordinance No. 1269 for the 1964 Bonds and by Ordinance No. 1691 for the 1970 Bonds (until the same are paid and retired on December 1, 1985), out of the gross revenues of the Water System, a fixed amount, without regard to any fixed proportion, on or before the 20th day of each month beginning with the month of December, 1985, as follows:

(a) Commencing with the month of September, 1985, and continuing thereafter, an amount equal to at least 1/12th of the amount due on the next principal payment date; and

(b) An amount equal to at least 1/3rd of the interest to become due and payable on March 1, 1986, and thereafter an amount equal to at least 1/6th of the interest to become due and payable on the next interest payment date on all of the Bonds outstanding.
Section 7. After the payment and retirement on December 1, 1985, of the outstanding 1970 Bonds, all moneys then on deposit in the Reserve Account in the Bond Fund (being not less than the aggregate sum of $220,000.00), being a sum at least equal to the next year's debt service on all outstanding Parity Revenue Bonds, shall be retained therein and shall thereafter be maintained in such amount so that there will be on deposit within that account at all times, except for withdrawals therefrom as authorized herein, an amount at least equal to the next succeeding year's debt service on the Bonds, the outstanding 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds and any Parity Revenue Bonds hereafter issued until there is a sufficient amount in the Principal and Interest Account and the Reserve Account to pay the principal of, call premium, if any, and interest on all bonds payable out of the Bond Fund outstanding at which time the moneys in the Reserve Account may be used to pay such principal, call premium, if any, and interest.

In the event that there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either principal or interest, as the case may be, on any bonds payable out of the Bond Fund, such deficiency shall be made up from the Reserve Account by withdrawal of cash therefrom for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawals shall then be made up from the moneys from the revenues of the Water System first available after making necessary provisions for the required payments into the Principal and Interest Account.

All moneys in the Reserve Account may be kept on deposit in the official bank depository of the City of Kent, or may be invested in direct obligations of the United States Government, having a guaranteed redemption price prior to maturity or maturing not later than twelve years from the date of purchase, and, in no event, maturing later than the last maturity of any bonds payable out of the Bond Fund outstanding at the time of such purchase.
Interest earned on any such investment or on such bank deposit shall be deposited in and become 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.

Section 8. Subject to the redemption on December 1, 1985, of all of the outstanding 1970 Bonds as herein provided, the gross revenues of the Water System of the City are hereby pledged to the payments as are required by this ordinance, and the Bonds shall constitute a charge or lien upon such revenues prior and superior to any other charge whatsoever, excluding charges for maintenance and operation, except that the charge or lien upon such gross revenues for the Bonds shall be on a parity with the charge or lien upon such gross revenues, after the payment and retirement of the outstanding 1970 Bonds, for the 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds and for any Parity Revenue Bonds.

Section 9. In the judgment of the City Council the gross revenues and benefits to be derived from the operation and maintenance of the Water System at the rates to be charged for water furnished on the entire utility will be more than sufficient to meet all expenses of operation and maintenance thereof and the debt service on the 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds and 1970 Bonds (prior to the payment and retirement of such outstanding 1970 Bonds on December 1, 1985) and to permit the setting aside into the Bond Fund out of the gross revenues of the Water System of amounts sufficient to pay the interest on the Bonds as such interest becomes payable after December 1, 1985, and to pay and redeem all of the Bonds at maturity. The City Council and corporate authorities of the City of Kent further hereby declare that in creating the Bond Fund and in fixing the amounts to be paid into the same as aforesaid they have exercised due regard for the cost of operation and maintenance of the Water System and the debt
service requirements of the presently outstanding bonds above referred to, 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 of the Water System than in the judgment of the City Council will be available over and above such costs of maintenance and operation and debt service requirements of said outstanding bonds and that no portion of the Water System has been previously pledged for any indebtedness other than the outstanding bond issues above referred to.

Section 10. The City of Kent covenants and agrees with the owner and holder of each bond at any time outstanding, as follows:

(a) It will establish, maintain and collect such rates and charges for water service (and for sanitary sewage disposal service should the sanitary sewerage system of the City ever be combined with the Water System) so long as any Bonds are outstanding as will make available (1) for the payment of the principal of and interest on the outstanding 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds and 1970 Bonds and any Parity Revenue Bonds as will make available for the payment of the principal of and interest on all such bonds as the same shall become due an amount equal to at least 1.35 times the average annual amount required for the payment of all principal of and interest on such bonds, exclusive of the principal requirement in any Term Bond Maturity Year, after necessary costs of maintenance and operation of the Water System shall have been paid, but before depreciation, until the outstanding 1970 Bonds are paid and retired on December 1, 1985, and (2) thereafter for the payment of the principal of and interest on the outstanding 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds, the Bonds and any Parity Revenue Bonds an amount equivalent to at least 1.35 times the average annual amount required for the payment of all principal of and interest on such bonds, exclusive of the principal requirement in any Term Bond Maturity Year, after necessary costs of maintenance and operation of the Water System shall have been paid, but before depreciation.

(b) It will at all times maintain and keep the Water System and all additions thereto and betterments, replacements and extensions thereof in good repair, working order and condition and also will at all times operate the Water System and the business in connection therewith in an efficient manner and at a reasonable cost.
(c) It will not sell, lease, mortgage, or in any manner encumber or dispose of all of the property of the Water System 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 Revenue Bonds at that time outstanding, and it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Water System unless provision is made for replacement thereof or for payment into the Bond Fund of the total amount of revenue received, which shall not be less than an amount which shall bear the same ratio to the amount of outstanding bonds payable from the Bond Fund as the revenue available for debt service for those outstanding bonds for the twelve months preceding such sale, lease, mortgage, encumbrance, or disposal from the portion of the Water System sold, leased, mortgaged, encumbered or disposed of bears to the revenue available for debt service for such bonds from the entire Water System for the same period. Any money so paid into the Bond Fund shall be used to retire such outstanding bonds at the earliest possible date.

(d) It will while any of the 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 Water System and it will furnish the original purchaser or purchasers of the Bonds or any subsequent holder of holders thereof at the written request of such holder or holders, complete operating and income statements of the Water System in reasonable detail covering any calendar year not more than ninety days after the close of such calendar year. It will grant any holder or holders of at least twenty-five percent of the outstanding Bonds the right at all reasonable times to inspect the Water System and all records, accounts and data of the City relating thereto. Upon the request of any holder of any of the Bonds, it will furnish such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

(e) It will not furnish any water (or any sanitary sewage disposal service should the sanitary sewerage system ever be combined with the Water System) to any customer whatsoever free of charge, and it will promptly take legal action to enforce the collection of all delinquent accounts.

(f) It will carry the types of insurance on its Water System properties in the amounts normally carried by private water companies engaged in the operation of Water Systems, and the cost of such insurance shall be considered a part of operating and maintaining the Water 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 Water System on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof.
(g) It will pay all costs of maintenance and operation of the Water System and the debt service requirements for the outstanding 1963 Bonds, Issue No. 1, 1963 Bonds, Issue No. 2, 1964 Bonds, 1970 Bonds (prior to their redemption on December 1, 1985), the Bonds and any Parity Revenue Bonds and otherwise meet the obligations of the City as herein set forth.

(h) It will make no use of the proceeds of the Bonds or other funds of the City at any time during the term of the Bonds which, if such use had been reasonably expected at the date that the Bonds are issued, would have caused such Bonds to be arbitrage bonds within the meaning of Section 106(d) of the United States Internal Revenue Code of 1954, and for this purpose it further covenants that none of the proceeds of the Bonds or the investment of such proceeds will be used to acquire obligations the adjusted yield on which will exceed the adjusted yield produced by the Bonds, both such adjusted yields being computed pursuant and subject to the requirements and exceptions of Sections 1.103-13 and 1.103-14 of the regulations proposed by the United States Treasury Department published in the Federal Register on June 1, 1972, as the same may be changed from time to time, or any other applicable regulations hereafter adopted. The covenants of this section appertaining to the Bonds shall be subject to all provisions concerning payment and to all other contractual provisions in the proceedings authorizing the issuance of the outstanding 1970 Bonds or otherwise appertaining thereto.

Section 11. The City of Kent covenants and agrees with the holder or holders of each Bond at any time outstanding that it will not issue any Parity Revenue Bonds unless it shall first satisfy the conditions set forth for the issuance of such Parity Revenue Bonds in Section 9 of Ordinance No. 1178, which section is by this reference incorporated herein and made a part hereof and shall be applicable so long as any Bonds are outstanding.

Nothing contained in this section shall prevent the City from issuing revenue bonds or warrants, the payment of the principal of and interest on which is a charge upon the gross revenues of the Water System junior and inferior to the payments required to be made out of such gross revenues into the Bond Fund.

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Section 12. The gross revenues from the operation of the Water System shall be allocated as follows:

(a) To pay the necessary costs of maintenance and operation of the Water System.

(b) To make all required payments into the Bond Fund in amounts sufficient to pay principal and interest as the same shall become due on all bonds payable out of the Bond Fund.

(c) To make all payments required to be made into the Reserve Account in the Bond Fund.

(d) To make all payments required to be made into the bond redemption funds for any junior lien water revenue bonds hereafter issued.

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

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

Section 13. The Bonds shall be in substantially the following form:

No. _____ $5,000.00

UNITED STATES OF AMERICA
STATE OF WASHINGTON
CITY OF KENT
WATER REVENUE REFUNDING BOND, 1973
5.70%

KNOW ALL MEN BY THESE PRESENTS: That the City of Kent, State of Washington, for value received promises to pay to bearer on the FIRST DAY OF SEPTEMBER, 19__, the principal sum of

FIVE THOUSAND DOLLARS
together with interest thereon at the rate of FIVE AND SEVENTY HUNDREDTHS PERCENT (5.70%) per annum, payable on September 1, 1973, and semiannually thereafter on each succeeding March 1 and September 1, upon presentation and surrender of the attached interest coupons as they severally mature up to the bond maturity date until this bond with interest is paid in full, or funds are available in the "Water Revenue Bond Redemption Fund, 1963" (hereinafter called the "Bond Fund"), for payment in full and this bond has been duly called for redemption. Both
principal of and interest on this bond are payable in lawful money of the United States of America at the office of the Treasurer of the City of Kent, Washington, or, at the option of the holder, at either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York, solely out of the special fund created by Ordinance No. 1178, and referred to herein as the "Bond Fund," into which fund the City of Kent hereby irrevocably binds itself to pay the principal proceeds received from the issuance of this bond and all investment income therefrom and certain fixed amounts out of the gross revenues of the water supply and distribution system of the City, including all additions, extensions and betterments thereof now or at any time made or constructed, without regard to any fixed proportion, namely, amounts sufficient to pay the principal of and interest on the outstanding "Water Revenue Bonds, 1963, Issue No. 1," "Water Revenue Bonds, 1963, Issue No. 2," "Water Revenue Bonds, 1964," and "Water Revenue Bonds, 1970," until the same are redeemed on December 1, 1985, and thereafter on this issue of bonds, as they respectively become due and to maintain a reserve, all at the times and in the manner set forth in Ordinances Nos. 1178, 1179, 1269, 1691 and ____.

The gross revenues from the water supply and distribution system of the City have been pledged to the payments required to be made as set forth in Section 6 of Ordinance No. ____ and subject to the redemption on December 1, 1985, of all of the outstanding "Water Revenue Bonds, 1970," as provided in Ordinance No. ____ , the bonds of this issue shall constitute a charge or lien upon such revenues prior and superior to any other charges whatsoever, excluding charges for maintenance and operation of such water system, except that the charge or lien upon such gross revenues for the bonds of this issue shall, after the payment and retirement of the outstanding "Water Revenue Bonds, 1970," be on a parity with the charge or lien upon such gross revenues for the outstanding "Water Revenue Bonds, 1963, Issue No. 1," "Water Revenue Bonds, 1963, Issue No. 2," "Water Revenue Bonds, 1964," and any additional and/or refunding bonds of the City hereafter issued on a parity of lien with said bonds in accordance with the provisions of Section 9 of Ordinance No. 1178 and Section 11 of Ordinance No. ____.

This bond is one of a total issue of $1,005,000.00 par value of bonds, all of like date, tenor and effect, except as to maturities, all payable from the Bond Fund and all issued by the City under and in pursuance of the laws of the State of Washington, particularly Chapter 138, Laws of 1965, 1st Ex. Ses. (RCW Chapter 39.53), and Ordinance No. ____ for the purpose of providing the funds to refund, pay and retire on December 1, 1985, $1,000,000.00 par value of outstanding "Water Revenue Bonds, 1970," and to pay the costs of such refunding plan.
The City of Kent reserves the right to redeem the bonds as a whole, or in part in inverse numerical order, on March 1, 1986, or on any subsequent interest payment date at par, plus accrued interest to date of redemption.

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 said intended redemption shall also be mailed to Foster & Marshall Inc. at its principal place of business in Seattle, Washington, or its successor, not less than thirty nor more than forty-five days prior to the call date. In addition, such redemption notice shall be mailed to Moody's Investors Service, Inc., and Standard & Poor's Corporation, at their offices in New York, New York, but the mailing of such notice to such corporations shall not be a condition precedent to the redemption of such bonds. 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 par plus accrued interest.

The City of Kent hereby covenants and agrees with the holders of each and every one of the bonds of this issue to fully carry out all covenants and meet all obligations of the City, as set forth in Ordinance No. ___, to which ordinance reference is hereby made as more fully describing the covenants with and rights of holders of bonds of this issue.

It is hereby certified and declared that the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and the laws of the State of Washington and the ordinances of the City of Kent, and that all acts, conditions and things required to be done 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 attested by the manual signature of its City Clerk and its corporate seal to be hereto affixed, and the interest coupons attached to be signed with the facsimile signatures of said officials this first day of March, 1973.

CITY OF KENT, WASHINGTON

By (facsimile signature) Mayor

ATTEST:

City Clerk

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The interest coupons attached to the Bonds shall be in substantially the following form:

**Coupon No. ___**

$142.50

On the FIRST DAY OF (MARCH)(SEPTEMBER), 19__, the CITY OF KENT, WASHINGTON, upon presentation and surrender of this coupon will pay to bearer at the office of the Treasurer of the City of Kent, Washington, or, at the option of the holder, at either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York, the sum shown hereon in lawful money of the United States of America from the special fund of said City known as the "Water Revenue Bond Redemption Fund, 1963," said sum being six months' interest then due on its "Water Revenue Refunding Bond, 1973," dated March 1, 1973, and numbered ___.

CITY OF KENT, WASHINGTON

By (facsimile signature) ___

Mayor

ATTEST:

(facsimile signature)

City Clerk

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 City Clerk and shall have the seal of the City of Kent affixed thereto and the interest coupons shall bear the facsimile signatures of the Mayor and the City Clerk.

Section 14. The City Clerk is hereby authorized and directed to cause to be published once not less than thirty nor more than forty-five days prior to December 1, 1985, in the official newspaper of the City a notice of call for redemption of all outstanding 1970 Bonds and to mail a copy of such notice of redemption to McLean & Company, Inc., at its principal place of business in Tacoma, Washington, within the same period as provided in Ordinance No. 1691 and in the 1970 Bonds, and the City Treasurer is hereby authorized and directed to pay and redeem all of said outstanding 1970 Bonds on December 1, 1985, at par, plus accrued interest to date of redemption.
Section 15. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington to pay the principal of and interest on the Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Bonds and to pay the costs of refunding, and shall have irrevocably set aside for and pledged to such payment and refunding, moneys and/or direct obligations of the United States of America or other legal investments sufficient in amount, together with known earned income from the investment thereof, to make such payments and to accomplish the refunding as scheduled, and shall irrevocably make provisions for redemption of such Bonds, then in that case all right and interest of the owners or holders of the Bonds to be so retired or refunded and the appurtenant coupons in the covenants of this ordinance and in the gross revenues of the Water System of the City, funds and accounts obligated to the payment of such Bonds, except the right to receive the funds so set aside and pledged, shall thereupon cease and become void and the City may then apply any moneys in any fund or account established for the payment or redemption of such Bonds or coupons to any lawful purposes as it shall determine.

In the event that the refunding plan provides that the refunding bonds be secured by cash and/or direct obligations of the United States of America or other legal investments pending the prior redemption of those Bonds being refunded and if such refunding plan also provides that certain cash and/or direct obligations of the United States of America or other legal investments are irrevocably pledged for the prior redemption of those Bonds included in the refunding plan, then only the debt service on the Bonds and the refunding bonds payable from the gross revenues of the Water System of the City shall be included in the computation of coverage for issuance of Parity Revenue Bonds and the annual computation of coverage for determining compliance with the rate covenants.
Section 16. Foster & Marshall Inc. of Seattle, Washington, heretofore offered to purchase the Bonds at a price of par, plus accrued interest from the date of issuance to the date of delivery of the Bonds, the City to furnish the printed Bonds and the unqualified approving legal opinion of Messrs. Roberts, Shefelman, Lawrence, Gay & Moch, municipal bond counsel of Seattle, Washington, at the City's expense and the purchaser to provide the United States Treasury obligations above referred to at the price above set forth. The City Council, being of the opinion that no better price could be obtained for the Bonds and that it was in the best interests of the City to accept the same, accepted such offer on February 20, 1973, and such acceptance is hereby ratified and confirmed. The Bonds shall, therefore, immediately upon their execution be delivered to the purchaser upon payment for the Bonds in accordance with such offer. The City Treasurer is hereby authorized and directed to deposit the accrued interest received from the sale of the Bonds in the Principal and Interest Account in the Bond Fund and to deposit and make use of the principal proceeds received in the manner set forth in this ordinance.

PASSED by the City Council of the City of Kent, Washington, and APPROVED by its Mayor, at a regular open public meeting held on the 5th day of March, 1973.

Mayor

ATTEST:

City Clerk

FORM APPROVED:

City Attorney

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