CITY OF KENT, WASHINGTON

ORDINANCE NO. 1967

AN ORDINANCE specifying and adopting a plan for making certain additions to and betterments and extensions of the water supply and distribution system of the City of Kent, Washington; declaring the estimated cost thereof as nearly as may be; providing for the issuance and sale of $1,000,000.00 par value of "Water Revenue Bonus, 1976," for the purpose of providing funds to carry out said plan herein ordered to be carried out; fixing the date, form, denomination, maturities, interest rates, terms and covenants of such bonds; confirming the sale and providing for the delivery of such bonds to Foster & Marshall Inc. of Seattle, Washington; and repealing Ordinance No. 1962.

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 1.33 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 all 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 No. 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, pursuant to Ordinance No. 1822, the City heretofore issued $1,005,000.00 par value of "Water Revenue Refunding Bonds, 1973" (hereinafter referred to as the "1973 Refunding Bonds"), for the purpose of providing funds to redeem, pay and retire on December 1, 1985, all of its then outstanding 1970 Bonds, which 1973 Refunding Bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, will be on a parity of lien with the "Water Revenue Bonds, 1963, Issue No. 1," the "Water Revenue Bonds, 1963, Issue No. 2," and the "Water Revenue Bonds, 1964," after the payment and retirement of the 1970 Bonds on December 1, 1985; and

WHEREAS, the existing water supply and distribution system of the City is in such condition that the public interest, welfare and convenience require and it is advisable that certain additions to and betterments and extensions of such water supply and distribution system be made and that the City issue and sell its water revenue bonds in order to provide the funds necessary to carry out such improvements; 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 accumulation in the Reserve Account in the Bond Fund of the required additional reserve amount; and that Walter G. Ramsey of URS Company, an independent licensed professional engineer, has certified or will certify prior to the delivery of the proposed additional bonds 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 to be 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 1973 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 1973 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) "City" shall mean the City of Kent, Washington, a duly organized and existing non-charter code city under the laws of the State of Washington.

(b) "Bonds" shall mean the "Water Revenue Bonds, 1976," authorized to be issued by this ordinance.

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

(d) "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.


(f) "1964 Bonds" shall mean the "Water Revenue Bonds, 1964," authorized to be issued by Ordinance No. 1269 passed October 5, 1964.

(g) "1970 Bonds" shall mean the "Water Revenue Bonds, 1970," authorized to be issued by Ordinance No. 1691 passed November 2, 1970.

(h) "1973 Refunding Bonds" shall mean the "Water Revenue Refunding Bonds, 1973," authorized to be issued by Ordinance No. 1822 passed March 5, 1973.
(i) "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), by Ordinance No. 1822 for the 1973 Refunding Bonds (after the retirement on December 1, 1985, of the 1970 Bonds) and by this ordinance for the Bonds.

(j) "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, 1973 Refunding 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.

(k) "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, 1973 Refunding 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. The City hereby specifies and adopts the system or plan for making additions to and betterments of the Water System as more particularly set forth in Exhibit "A" attached hereto and by this reference made a part hereof, the estimated cost of which is hereby declared to be $1,000,000.00.
Section 3. For the purpose of providing the funds to carry out the system or plan adopted in Section 2 hereof, and hereby ordered to be carried out, there shall be issued and sold $1,000,000.00 par value of additional water revenue bonds of the City. The bonds shall be designated "Water Revenue Bonds, 1976" (herein defined as the "Bonds"). The Bonds shall be in denominations of $5,000.00 each, shall be numbered from 1 to 200, inclusive, shall be dated June 1, 1976, shall bear interest at the rates hereinafter set forth, payable on December 1, 1976, and semiannually thereafter on each succeeding June 1 and December 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 Bond 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 and shall bear interest in accordance with the following schedule, to-wit:

<table>
<thead>
<tr>
<th>Bond Numbers (inclusive)</th>
<th>Amounts</th>
<th>Interest Rates</th>
<th>Maturities</th>
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<tbody>
<tr>
<td>1 to 3</td>
<td>$15,000</td>
<td>6.80%</td>
<td>June 1, 1977</td>
</tr>
<tr>
<td>4 to 6</td>
<td>15,000</td>
<td>6.80%</td>
<td>June 1, 1978</td>
</tr>
<tr>
<td>7 to 10</td>
<td>20,000</td>
<td>6.80%</td>
<td>June 1, 1979</td>
</tr>
<tr>
<td>11 to 14</td>
<td>20,000</td>
<td>6.80%</td>
<td>June 1, 1980</td>
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<tr>
<td>15 to 18</td>
<td>20,000</td>
<td>6.80%</td>
<td>June 1, 1981</td>
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<tr>
<td>19 to 22</td>
<td>20,000</td>
<td>6.80%</td>
<td>June 1, 1982</td>
</tr>
<tr>
<td>23 to 27</td>
<td>25,000</td>
<td>6.80%</td>
<td>June 1, 1983</td>
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<tr>
<td>28 to 32</td>
<td>25,000</td>
<td>6.00%</td>
<td>June 1, 1984</td>
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<td>33 to 38</td>
<td>30,000</td>
<td>5.90%</td>
<td>June 1, 1985</td>
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<tr>
<td>39 to 45</td>
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<td>5.90%</td>
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<tr>
<td>46 to 53</td>
<td>40,000</td>
<td>6.00%</td>
<td>June 1, 1987</td>
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<td>54 to 61</td>
<td>40,000</td>
<td>6.10%</td>
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<td>62 to 69</td>
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<td>89 to 99</td>
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<td>100 to 110</td>
<td>55,000</td>
<td>6.60%</td>
<td>June 1, 1993</td>
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<td>111 to 121</td>
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<td>June 1, 1994</td>
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<td>122 to 135</td>
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<td>6.75%</td>
<td>June 1, 1996</td>
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<td>150 to 164</td>
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<td>June 1, 1997</td>
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<td>165 to 181</td>
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<td>6.80%</td>
<td>June 1, 1998</td>
</tr>
<tr>
<td>182 to 200</td>
<td>95,000</td>
<td>6.80%</td>
<td>June 1, 1999</td>
</tr>
</tbody>
</table>
Section 4. 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, and shall not be a general obligation of the City.

Section 5. The City reserves the right to redeem the Bonds as a whole, or in part in inverse numerical order, with funds from any source on June 1, 1986, at 102% of par, plus accrued interest to date of redemption, or on any subsequent interest payment date, the redemption price to reduce 1/2 of 1% annually to par on or after June 1, 1990, 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.

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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 price applicable for such Bonds on the next call date, plus accrued interest.

Section 6. The Bond Fund has, by Ordinance No. 1178, been divided into a Principal and Interest Account and a Reserve Account. So long as any of the Bonds is outstanding against the Bond Fund the Treasurer of the City shall set aside and pay into 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, by Ordinance No. 1691 for the 1970 Bonds (until the same are paid and retired on December 1, 1985), and by Ordinance No. 1822 for the 1973 Refunding Bonds (after the payment and retirement of the 1970 Bonds 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 June, 1976, as follows:

(a) Into the Principal and Interest Account, an amount equal to at least 1/12th of the amount due on the next principal payment date and 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.

(b) Into the Reserve Account, in substantially equal monthly payments and to be accumulated in full by no later than June 1, 1981, 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 payable out of the Bond Fund, and the City further covenants that additional payments shall be made into the Reserve Account if necessary so that there shall be on deposit therein at all times after such five year period an amount at least equal to the next succeeding year's debt service on all bonds payable out of the Bond Fund 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, 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 7. 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 charges 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 for the 1963 Bonds, Issue No. 1, the 1963 Bonds, Issue No. 2, the 1964 Bonds, the 1970 Bonds prior to their payment and retirement on December 1, 1985, the 1973 Refunding Bonds after the payment and retirement of the outstanding 1970 Bonds on December 1, 1985, and for any Parity Revenue Bonds.

Section 8. 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, 1970 Bonds (prior to the payment and retirement of such outstanding 1970 Bonds on December 1, 1985) and the 1973 Refunding Bonds (after the payment and retirement of the 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 and to pay and redeem all of the Bonds at maturity. The City Council and corporate authorities of the City 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 9. The City 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, 1970 Bonds, the 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 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 or 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, 1964 Bonds, Issue No. 2, 1964 Bonds, 1970 Bonds (prior to their redemption on December 1, 1985), 1973 Refunding Bonds (after the payment and retirement of the outstanding 1970 Bonds 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 103(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 May 3, 1973, and December 3, 1975, as the same may be changed from time to time or any other applicable regulations hereafter adopted.

Section 10. The City 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.

Section 11. 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 12. 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 BOND, 1976

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

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of ______ % per annum, payable on December 1, 1976, and semiannually
thereafter on June 1 and December 1 of each year, 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 hereby irrevocably binds itself to pay 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 the "Water Revenue Refunding Bonds, 1973," and 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, 1822 and 1967.

This bond is one of a total issue of $1,000,000.00 par value of bonds, all of like date, tenor and effect, except as to maturities, interest rates and option of redemption, all payable from the Bond Fund and all issued by the City under and pursuant to the laws of the State of Washington and Ordinance No. 1967 of the City for the purpose of paying the cost of the acquisition, construction and installation of certain additions to and betterments and extensions of the water supply and distribution system of the City. Reference is made to Ordinance No. 1967 as more fully describing the covenants with and rights of the holders of bonds of this issue.

The bonds of this issue constitute a charge or lien upon the gross revenues of the water supply and distribution system of the City 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 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," "Water Revenue Bonds, 1970," until the same are paid and redeemed on December 1, 1985, and thereafter the "Water Revenue Refunding Bonds, 1973," 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 7 of Ordinance No. 1967.
The City reserves the right to redeem the bonds as a whole, or in part in inverse numerical order, with funds from any source on June 1, 1986, at 102% of par, plus accrued interest to date of redemption, or on any subsequent interest payment date, the redemption price to reduce 1/2 of 1% annually to par on or after June 1, 1990, 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 the price applicable for such bonds on the next call date, plus accrued interest.

The City 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. [Ordinance Number], 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, 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 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 June, 1976.

CITY OF KENT, WASHINGTON

By (facsimile signature) Mayor

ATTEST:

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

<table>
<thead>
<tr>
<th>Coupon No.</th>
<th>$</th>
</tr>
</thead>
</table>

On the FIRST DAY OF (JUNE) (DECEMBER), 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 Bond, 1976," dated June 1, 1976, 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 affixed thereto, and the interest coupons shall bear the facsimile signatures of the Mayor and the City Clerk.

Section 13. 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 or the 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 14. Foster & Marshall Inc. of Seattle, Washington, heretofore offered to purchase the Bonds at a price of $98.00 per each $100.00 par value, 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. Bond counsel shall not be required to review or express any opinion concerning any official statement, offering circular, or other sales material issued or used in connection with the Bonds, and bond counsel's
opinion shall so state. 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 May 10, 1976, 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.

Section 15. This ordinance shall take effect five days after its passage, approval and publication as provided by law.

Section 16. Ordinance No. 1962 passed by the City Council on May 17, 1976, and approved by the Mayor on May 18, 1976, is hereby repealed.

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 7th day of June, 1976.

Mayor

ATTEST:

City Clerk

FORM APPROVED:

City Attorney

Published the 10th day of June, 1976

-19-
I, MARIE JENSEN, City Clerk of the City of Kent, Washington, hereby certify that the attached copy of Ordinance No. 1967 is a true and correct copy of the original ordinance passed on the 7th day of June, 1976, as said ordinance appears on the Minute Book of the City.

DATED this 1 day of June, 1976.

Published 10 days of June, 1976.

MARIE JENSEN, City Clerk
## EXHIBIT "A"

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>COST</th>
<th>GRANT MONEY</th>
<th>CITY COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kent Springs Chlorination</td>
<td>$49,090</td>
<td>$15,860</td>
<td>$33,230</td>
</tr>
<tr>
<td>2. West Hill Reservoir</td>
<td>261,250</td>
<td>84,440</td>
<td>176,810</td>
</tr>
<tr>
<td>3. East Hill Booster Pump</td>
<td>314,800</td>
<td>117,260</td>
<td>197,540</td>
</tr>
<tr>
<td>4. West Hill Pump Stations</td>
<td>69,580</td>
<td>22,490</td>
<td>47,090</td>
</tr>
<tr>
<td>5. 116th Ave. S.E. Trans. Main</td>
<td>166,650</td>
<td>26,930</td>
<td>139,720</td>
</tr>
<tr>
<td>6. 104th Ave. Water Main</td>
<td>155,500</td>
<td></td>
<td>155,500</td>
</tr>
<tr>
<td>7. No. Central Connection</td>
<td>24,750</td>
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<td>24,750</td>
</tr>
<tr>
<td>8. W.D. #111 Joint Reservoir</td>
<td>288,500</td>
<td>98,000</td>
<td>190,500</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$1,330,120</td>
<td>$364,980</td>
<td>965,140</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td></td>
<td></td>
<td>34,860</td>
</tr>
<tr>
<td><strong>$1,000,000</strong></td>
<td></td>
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</table>