CITY OF KENT
ORDINANCE NO. 2501

AN ORDINANCE relating to the water supply and distribution system of the City; providing for the issuance and sale of $2,405,000 par value of "Water Revenue Bonds, 1984," for the purpose of providing funds to carry out a portion of the system or plan for making additions to and betterments and extensions of the existing water system of the City, specified and adopted by Ordinance No. 2496; fixing the date, form, denomination, maturities, interest rates, terms and covenants of such bonds; and confirming the sale and providing for the delivery of such bonds to Shearson Lehman/American Express Inc. Foster & Marshall Division, 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 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 Ordinance No. 1178, as amended by Ordinance No. 2118, the City covenanted and agreed that it would not issue any Parity Revenue Bonds (as therein 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, for mandatory sinking fund payments, and for mandatory bond redemptions prior to maturity, as the same shall become due, an amount equal to at least 1.35 times the average annual amount required for such payments, exclusive of the principal requirements for any Term Bond Maturity Year (unless the ordinance authorizing the issuance of any such bonds requires that the rate coverage
obligation apply to the principal amount in a Term Bond Maturity Year), after necessary costs of maintenance and operation of the Water System shall have been paid, but before depreciation. The ordinance authorizing such additional Parity Bonds shall require that the payment of all such bonds maturing in a Term Bond Maturity Year shall be provided for by either a mandatory sinking fund or by mandatory redemption thereof on or before their maturity.

(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 maximum annual debt service on all then outstanding bonds payable from the Bond Fund but not less than 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, mandatory sinking funds of, and mandatory redemptions of the Bonds, all bonds payable from the Bond Fund 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 such payments, exclusive of the principal requirement in any Term Bond Maturity Year (unless the ordinance authorizing the issuance of any such bonds requires that the rate coverage obligation apply to the principal amount in a Term Bond Maturity 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 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 as Parity Revenue Bonds; 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 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 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 as Parity Revenue Bonds; and

WHEREAS, pursuant to Ordinance No. 1691, the City heretofore issued $1,000,000 par value of "Water Revenue Bonds, 1970," 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 cost of excess water pipe capacity in Local Improvement District No. 252 heretofore created, which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued as Parity Revenue Bonds; and

WHEREAS, pursuant to Ordinance No. 1822, the City heretofore issued $1,005,000 par value of "Water Revenue Refunding Bonds, 1973," for the purpose of providing funds to redeem, pay and retire on December 1, 1985, all of its then outstanding "Water Revenue Bonds, 1970," which 1973 Refunding Bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, will be Parity Revenue Bonds after the payment and retirement of those 1970 bonds on December 1, 1985; and

WHEREAS, pursuant to Ordinance No. 1967, the City heretofore issued $1,000,000 par value of "Water Revenue Bonds, 1976," 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 Ordinance No. 1967, which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, were issued as Parity Revenue Bonds; and

WHEREAS, pursuant to Ordinance No. 2118, the City heretofore issued $2,000,000 par value of "Water Revenue Bonds, 1978," for the purpose of providing funds to carry out a system or plan for making additions to and betterments and extensions of the existing water supply and distribution system specified and adopted in Ordinance No. 2118, for completing the system or plan specified and adopted by Ordinance No. 1967, and for other system purposes, which bonds, pursuant to the provisions of
Section 9 of Ordinance No. 1178, as amended, were issued as Parity Revenue Bonds; and

WHEREAS, pursuant to Ordinance No. 2382, the City heretofore issued $4,800,000 par value of "Water Revenue Bonds, 1982," 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 by Ordinance No. 2329, as amended, which bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, as amended, were issued as Parity Revenue Bonds; 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 the system or plan for additions and betterments to and extensions of the water supply and distribution system specified and adopted by Ordinance No. 2496 be carried out, and that the City issue and sell its water revenue bonds in order to provide a portion of the funds necessary to carry out such improvements;

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

(b) "Bond Registrar" shall mean the fiscal agencies of the State of Washington in Seattle, Washington, and New York, New York, as the same shall be designated from time to time.

(c) "Bonds" shall mean the "Water Revenue Bonds, 1984," authorized to be issued by this ordinance.
(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 Bonds, 1973," authorized to be issued by Ordinance No. 1822, passed March 5, 1973.


(j) "1978 Bonds" shall mean the "Water Revenue Bonds, 1978," authorized to be issued by Ordinance No. 2118, passed October 2, 1978.

(k) "1982 Bonds" shall mean the "Water Revenue Bonds, 1982," authorized to be issued by Ordinance No. 2382, passed December 6, 1982.

(l) "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.

(m) "Future Parity Bonds" shall mean all revenue bonds of the City issued after the date of the issuance of the Bonds and having a lien and charge upon the gross revenues of the Water System on a parity with the lien and charge upon such gross revenues for the Outstanding Parity Bonds and the Bonds
for the payment of the principal thereof and interest thereon, and constituting "Parity Revenue Bonds" under Section 9 of Ordinance No. 1178, as amended by Ordinance No. 2118.


(o) "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, 1976 Bonds, 1978 Bonds, 1982 Bonds, the Bonds or any Parity 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.

(p) "Term Bonds" shall mean the Bonds maturing on December 1, 2004.

(q) "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 Outstanding Parity Bonds, the Bonds and any Future Parity 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 Council finds that no deficiency exists in either the Principal and Interest Account or the Reserve Account of 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, or such other independent licensed professional engineer with similar qualifications, has certified or will certify prior to the delivery of the Bonds that the net revenues of the Water System will be sufficient to meet the 1.35 coverage requirement in Section 9 of Ordinance No. 1178 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.

Section 3. For the purpose of providing the funds to carry out the system or plan specified and adopted and ordered to be carried out in Ordinance No. 2496, there shall be issued and sold $2,405,000 par value of the Bonds, heretofore defined and designated as the "Water Revenue Bonds, 1984," of the City. The Bonds shall be dated November 1, 1984; shall be in the denomination of $5,000 each or any integral multiple thereof within a single maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for the purpose of identification; shall bear interest at the rates hereinafter set forth, computed on the basis of a 360-day year of twelve 30-day months, payable on December 1, 1985, and semiannually thereafter on each succeeding June 1 and December 1; and shall mature on December 1 in years and amounts as follows:
Maturity | Year | Amount | Interest
<table>
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<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1987</td>
<td>$50,000</td>
<td>8.00%</td>
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<tr>
<td></td>
<td>1988</td>
<td>55,000</td>
<td>8.25%</td>
</tr>
<tr>
<td></td>
<td>1989</td>
<td>60,000</td>
<td>8.50%</td>
</tr>
<tr>
<td></td>
<td>1990</td>
<td>65,000</td>
<td>8.75%</td>
</tr>
<tr>
<td></td>
<td>1991</td>
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<td>9.00%</td>
</tr>
<tr>
<td></td>
<td>1992</td>
<td>80,000</td>
<td>9.25%</td>
</tr>
<tr>
<td></td>
<td>1993</td>
<td>90,000</td>
<td>9.50%</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>100,000</td>
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<tr>
<td></td>
<td>1995</td>
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<td>10.00%</td>
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<td></td>
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<td>135,000</td>
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<tr>
<td></td>
<td>1998</td>
<td>150,000</td>
<td>10.50%</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>165,000</td>
<td>10.60%</td>
</tr>
<tr>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>1,155,000</td>
<td>10.75%</td>
</tr>
</tbody>
</table>

If any Bond is not redeemed upon proper presentment at its maturity or call date thereof, the City shall be obligated to pay interest at the same rate for each such Bond from and after its maturity or call date until such Bond, both principal and interest, is paid in full or until sufficient money for such payment in full is on deposit in the Bond Fund and such Bond has been duly called for payment.

Upon surrender thereof to the Bond Registrar, the Bonds may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Such exchange or transfer shall be without cost to the owner or transferee.

The Bonds shall be issued only in registered form as to both principal and interest and recorded in the books and records maintained by the Bond Registrar (the "Bond Register"). The Bond Register shall contain the name and mailing address of the owner of each Bond or nominee of such owner and the principal amount and number of Bonds held by each owner or nominee.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America.
Interest on the Bonds shall be paid by check or draft mailed to the registered owners at the addresses appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds at either office of the Bond Registrar in Seattle, Washington, or New York, New York, at the option of such owners. The Bonds shall be payable solely out of the Bond Fund, and shall be a valid claim of the owners thereof only as against that fund and the fixed amount of the gross revenues of the Water System pledged to such fund, and shall not be general obligations of the City.

Section 4. Bonds maturing in the years 1987 through 1994 shall be issued without the right or option of the City to redeem the same prior to their stated maturity. The City reserves the right to redeem the Bonds maturing on or after December 1, 1995, as a whole, or in part in inverse order of maturity (and by lot within each maturity in such manner as the Bond Registrar shall determine), with funds from any source on December 1, 1994, at a price of 102% of par (plus accrued interest to date of redemption), and on any interest payment date thereafter, the redemption price to reduce 1% annually to par on or after December 1, 1996. Upon the optional redemption of a portion of the principal amount of Bonds maturing in 2004 ("Term Bonds"), the sinking fund installments therefor provided in section 5 shall be reduced in inverse order to reflect the reduction in the amount of such Term Bonds outstanding.

Bonds maturing on December 1, 2004, if not previously redeemed pursuant to the optional call provisions set forth above, are subject to mandatory redemption by lot (and in such manner as the Bond Registrar shall determine), at par, plus accrued interest, in the following mandatory redemption installments, on December 1 of the following years:
<table>
<thead>
<tr>
<th>Year</th>
<th>Mandatory Redemption Installment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$185,000</td>
</tr>
<tr>
<td>2001</td>
<td>205,000</td>
</tr>
<tr>
<td>2002</td>
<td>230,000</td>
</tr>
<tr>
<td>2003</td>
<td>255,000</td>
</tr>
<tr>
<td>2004</td>
<td>280,000</td>
</tr>
</tbody>
</table>

Any Bond in the principal amount of greater than $5,000 may be redeemed partially in any integral multiple of $5,000. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond or Bonds, at the option of the registered owner, of like maturity and interest rate in the aggregate principal amount remaining unredeemed.

Notice of any call for redemption of any of the Bonds prior to their stated maturity dates shall be given not less than thirty days nor more than sixty days prior to the date fixed for redemption by first class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register. The requirements of this section shall be deemed to be complied with when notice is mailed as herein provided, whether or not it is actually received by the owner of any Bond. 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. Notice of such intended redemption shall also be mailed within the same time period, postage prepaid, to Shearson Lehman/American Express Inc, Foster & Marshall Division, at its principal place of business in Seattle, Washington, or its successor, and to Moody's Investor's Service, Inc., and Standard & Poor's Corporation, at their offices in New York, New York, or their successors, but the mailing of such notice to such firms shall not be a condition precedent to the redemption of such Bonds.
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 call price applicable for such Bonds on the next call date, 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. So long as any of the Bonds are outstanding against the Bond Fund the City Treasurer 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), by Ordinance No. 1822 for the 1973 Refunding Bonds (after the payment and retirement of the 1970 Bonds on December 1, 1985), by Ordinance No. 1967 for the 1976 Bonds, by Ordinance No. 2118 for the 1978 Bonds, and by Ordinance No. 2382 for the 1982 Bonds, 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, 1984, as follows:

(a) There shall be paid into the Principal and Interest Account an amount equal to at least 1/12 of the amount of principal due or the principal amount of Bonds required to be redeemed ('sinking fund installment') on the next principal payment date and, in addition, an amount equal to at least 1/12 of the amount of interest due on December 1, 1985, and thereafter at least 1/6 of the interest to become due and payable on the next interest payment date on all of the Bonds outstanding.

(b) There shall be paid into the Reserve Account, in substantially equal monthly payments and to be accumulated in full by no later than December 1, 1989, an amount which, with the money in the Reserve Account, will be at least equal to the maximum annual debt service on all then outstanding bonds payable from the Bond Fund but not less than the next year's debt service and sinking fund installment 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 and sinking fund installments 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 money 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, or the mandatory redemption requirements of, 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 money from the revenues of the Water System first available after making necessary provisions for the required payments into the Principal and Interest Account.

All money in the Reserve Account may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or may be invested in direct obligations of the United States Government or other legal investments permitted to the City, 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.

In no event shall any money in the Bond Fund or any other money reasonably expected to be used to pay principal and/or interest on the Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder.

Section 6. The gross revenues of the Water System of the City are 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 operation and maintenance, 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 Outstanding Parity Bonds and for any Future Parity Bonds.

Section 7. 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 Outstanding Parity Bonds, 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 or on their mandatory redemption dates. The City Council and corporate authorities of the City further 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 operation and maintenance and debt service and mandatory redemption requirements of such outstanding bonds and that no portion of the gross revenues of the Water System have been previously pledged for any indebtedness other than the outstanding bond issues above referred to.

Section 8. 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 Parity Bonds, the Bonds and any Future Parity 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, for mandatory sinking fund payments, and for mandatory bond redemptions prior to maturity, exclusive of the principal requirement in any Term Bond Maturity Year (unless the ordinance authorizing the issuance of any such bonds requires that the rate coverage obligation apply to the principal amount in a Term Bond Maturity Year), after necessary costs of operation and maintenance 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 Parity Bonds, the Bonds and any Future Parity 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, for mandatory sinking fund payments, and for mandatory bond redemptions prior to maturity, exclusive of the principal requirement in any Term Bond Maturity Year (unless the ordinance authorizing the issuance of any such bonds requires that the rate coverage obligation apply to the principal amount in a Term Bond Maturity Year), after necessary costs of operation and maintenance 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 payable from the Bond Fund 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 owner or owners thereof at the written request of such owner or owners, 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 owner or owners 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 owner of any of the Bonds, it will furnish such owner 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 operation and maintenance of the Water System and the debt service requirements for the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds and otherwise meet the obligations of the City as herein set forth.

(h) It will spend the proceeds of the Bonds with due diligence to completion of the purposes specified herein and 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(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder.

Section 9. The City covenants and agrees with the owner of each Bond payable from the Bond Fund at that time outstanding that it will not issue any Future Parity Bonds unless it shall first satisfy the conditions set forth in Section 9 of Ordinance No. 1178, as amended by Section 10 of Ordinance No. 2118, which sections are by reference incorporated herein and made a part hereof and shall be applicable to the Bonds so long as any of the same 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 10. The gross revenues from the operation of the Water System shall be allocated as follows:

(a) To pay the necessary costs of operation and maintenance 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; and

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

Section 11. The Bonds shall be printed or lithographed on good bond paper in a form consistent with the provisions of this ordinance and State law, shall be signed by the Mayor and attested by the City Clerk, both of whose signatures shall be in facsimile, and a facsimile reproduction of the seal of the City shall be printed thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the following form, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This bond is one of the fully registered City of Kent, Washington, Water Revenue Bonds, 1984, described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By ___________________________
Authorized Officer

Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

In case either or both of the officers who shall have executed the Bonds shall cease to be such officer or officers of
the City before the Bonds so signed shall have been authenti-
cated or delivered by the Bond Registrar or issued by the City, such Bonds nevertheless may be authenticated, delivered and issued and upon such authentication, delivery and issue, shall be as binding upon the City as though those whose facsimile signatures appear on the Bonds had continued to be such officers of the City. Any Bond also may be signed on behalf of the City by such persons as at the actual date of execution of such Bond shall be proper officers of the City authorized to execute Bonds although on the original date of such Bond such persons were not such officers of the City.

Section 12. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the City.

The Bond Registrar shall be responsible for its representa-
tions contained in the Registrar’s Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 13. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 14. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have money available from any other lawful source, 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, money and/or direct obligations of the United States of America or other legal investments sufficient in amount, together with known earned income from the investments thereof, to make such payments and to accomplish the refunding as scheduled (hereinafter called the "trust account") and shall irrevocably make provisions for redemption of such Bonds, then in that case all right and interest of the owners of the Bonds to be so retired or refunded (hereinafter collectively called the "defeased Bonds") in the covenants of this ordinance, in the gross revenues of the Water System, and in funds and accounts obligated to the payment of such Bonds shall thereafter cease and become void, except such owners shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account and, in the event the funds in the trust account are not available for such payment, shall have the residual right to receive payment of the principal of and interest on the defeased Bonds from the gross revenues of the Water System without any priority of lien or charge against such revenue or covenants with respect thereto except to be paid therefrom.

After the establishing and full funding of such trust account, the City may then apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other bonds then outstanding.

In the event that the refunding plan provides that the Bonds being refunded or the refunding bonds to be issued 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 irrevo-
cably pledged for the prior redemption of those Bonds included
in the refunding plan, then only the debt service on the Bonds
which are not defeased Bonds and the refunding bonds, the
payment of which is not so secured by the refunding plan, shall
be included in the computation of coverage for issuance of
Parity Bonds and the annual computation of coverage for deter-
mining compliance with the rate covenants.

Section 15. Shearson Lehman/American Express Inc, Foster &
Marshall Division, of Seattle, Washington, has submitted an
offer to purchase the Bonds at a price of $96.427 per each
$100.00 par value, plus accrued interest from the date of the
Bonds to the date of delivery of the Bonds, the City to furnish
the printed Bonds and the unqualified approving legal opinion of
Roberts & Shefelman, 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 otherwise 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 is in the best interests of the City that such offer
be accepted, accepts the same. The Bonds shall immediately upon
their execution be delivered to the purchaser upon their authen-
tication and payment therefor in accordance with such offer.
The City Treasurer is 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. Interest earned on any investment
of the principal proceeds shall be deposited into the construc-
tion fund into which the principal proceeds are deposited.
Section 16. Pending the printing, execution and delivery to the purchaser of the definitive Bonds, the City may cause to be executed and delivered to such purchaser a single temporary Bond in the principal amount of $2,405,000. Such temporary Bond shall bear the same date of issuance, interest rates, principal payment dates and terms and covenants as the definitive Bonds, and shall be issued as a fully registered bond in the name of such purchaser, and shall be in such form as acceptable to such purchaser. Such temporary Bond shall be exchanged for the definitive Bonds as soon as the same are printed, executed and available for delivery.

Section 17. This ordinance shall take effect five days after its passage, approval and publication as provided by law.

PASSED by the City Council of the City of Kent, Washington, and APPROVED by its Mayor, at a regular open public meeting held on this 5th day of November, 1984.

Mayor

ATTEST:

City Clerk

FORM APPROVED:

City Attorney

Approved: 11-6-84
Published: 11-9-84

1255k
I, MARIE JENSEN, City Clerk of the City of Kent, Washington, certify that the attached copy of Ordinance No. ____ is a true and correct copy of the original ordinance passed on the 5th day of November, 1984, as that ordinance appears on the Minute Book of the City.

DATED this ___ day of ________, 1984.

[Signature]
MARIE JENSEN, City Clerk