AN ORDINANCE of the City of Kent, Washington, relating to the water supply and distribution system of the City; providing for the issuance of $5,545,000 principal amount of Water Revenue Refunding Bonds, 1985, of the City for the purpose of providing a part of the funds to refund, pay and retire its outstanding Water Revenue Bonds, 1982; fixing the date, form, maturities, interest rates, terms and covenants of such refunding bonds; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of such bonds and for the use and application of the money to be derived from such investments; authorizing the execution of an agreement with Rainier National Bank of Seattle, Washington, as Refunding Trustee; providing for the payment and redemption of the outstanding bonds to be refunded; and approving the sale and providing for the delivery of such refunding bonds to Shearson Lehman Brothers Inc., Foster & Marshall Division, of Seattle, Washington.

WHEREAS, the City of Kent, Washington (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 Revenue 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 1963 Bonds, Issue No. 2, 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 1964 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 1970 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 1976 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 1978 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 1982 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. 2501, the City heretofore issued $2,405,000 par value of Water Revenue Bonds, 1984, 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. 2496, which 1984 Bonds, pursuant to the provisions of Section 9 of Ordinance No. 1178, as amended, were issued as Parity Revenue Bonds; and
WHEREAS, the City presently has outstanding $4,800,000 total principal amount of the 1982 Bonds maturing in various amounts on December 1 of each of the years 1985 through 2002, inclusive, and bearing various interest rates from 8.25% to 11.00%; and

WHEREAS, after due consideration, it appears to the City Council that the 1982 Bonds may be refunded by the issuance and sale of the bonds authorized herein (the "Bonds") so that a significant savings will be effected by the difference between the principal and interest cost over the life of the Bonds and the principal and interest cost over the life of the 1982 Bonds but for such refunding, which refunding will be effected by:

(a) The issuance of the Bonds; and

(b) The payment of the principal of and interest on the 1982 Bonds as the same shall become due up to and including December 1, 1992, and, on December 1, 1992, the call, payment and redemption of all of the outstanding 1982 Bonds maturing on December 1 of each of the years 1993 through 2002 at a price of 102% of par;

and

WHEREAS, in order to effect such refunding in the manner that will be most advantageous to the City, it is found necessary and advisable that certain Acquired Obligations (hereinafter defined), bearing interest and maturing at such times as are necessary to accomplish the refunding as aforesaid be purchased out a portion of the proceeds of the Bonds authorized by this ordinance and, as may be necessary or desirable, other money of the City legally available therefor; and

WHEREAS, the City Council has determined that it is in the City's best interest to issue and sell $5,545,000 par value of water revenue refunding bonds to provide the funds necessary to pay, redeem and retire the 1982 Bonds, and Shearson Lehman Brothers Inc., Foster & Marshall Division, has offered to

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purchase such Bonds on the terms and conditions hereinafter set forth; 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) "Acquired Obligations" shall mean those United States Treasury Certificates of Indebtedness, Notes and Bonds, State and Local Government Series and other obligations of the United States of America purchased to accomplish the refunding authorized 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) "Bond Insurance Policy" shall mean the municipal bond new issue insurance policy issued by the Bond Insurer and guaranteeing the timely payment of principal of and interest on the Bonds.

(d) "Bond Insurer" shall mean Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

(e) "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.

(f) "Bonds" shall mean the $5,545,000 Water Revenue Refunding Bonds, 1985, authorized to be issued by this ordinance.

(g) "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.

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

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

(k) "1973 Refunding Bonds" shall mean the Water Revenue Bonds, 1973, authorized to be issued by Ordinance No. 1822, passed March 5, 1973.

(l) "1976 Bonds" shall mean the Water Revenue Bonds, 1976, authorized to be issued by Ordinance No. 1967, passed June 7, 1976.

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

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

(o) "1984 Bonds" shall mean the Water Revenue Bonds, 1984, authorized to be issued by Ordinance No. 2501, passed November 5, 1984.

(p) "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.

(q) "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.

(r) "Government Obligations" shall mean those government obligations defined by RCW 39.53.010(9) as it now reads or hereafter may be amended and which are otherwise lawful investments of the City at the time of such investment.

(s) "Outstanding Parity Bonds" shall mean the outstanding 1963 Bonds, Issue No. 1; 1963 Bonds, Issue No. 2; 1964 Bonds; 1970 Bonds (prior to their retirement on December 1, 1985); 1973 Refunding Bonds (after the retirement on December 1, 1985, of the 1970 Bonds); 1976 Bonds; 1978 Bonds; and 1984 Bonds, irrevocable provision having been made by this ordinance for the refunding, payment and retirement of the 1982 Bonds upon the delivery of the Bonds.

(t) "Refunding Trust Agreement" shall mean a Refunding Trust Agreement between the City and the Refunding Trustee substantially in the form of that which is attached as Exhibit A to this ordinance and by this reference is made a part hereof.

(u) "Refunding Trustee" shall mean Rainier National Bank of Seattle, Washington, or any successor trustee.

(v) "Term Bond Maturity Year" shall mean any calendar year or years in which the Outstanding Parity Bonds, the Bonds or any Future 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.

(w) "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 facts 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, that debt service payable out of such revenues for the outstanding refunded 1970 Bonds 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, and that debt service payable out of the net revenues of the Water System for payment of the 1982 Bonds will cease upon the payment for and delivery of the Bonds.

Section 3. For the purpose of providing a part of the money required to pay the principal of and interest on the 1982 Bonds as the same shall become due up to and including
December 1, 1992, and, on December 1, 1992, to call, pay and redeem all of the outstanding 1982 Bonds maturing on December 1 of each of the years 1993 through 2002, inclusive, at a price of 102% of par, and to pay the costs of issuing the Bonds and the refunding plan, the City shall issue the Bonds in the aggregate principal amount of $5,545,000. The Bonds shall be dated July 1, 1985; 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 purpose of identification; shall bear interest at the rates set forth below (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 bear interest and mature on December 1 in years and amounts as follows:

<table>
<thead>
<tr>
<th>Maturity Years</th>
<th>Amount</th>
<th>Interest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>$90,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>1986</td>
<td>180,000</td>
<td>5.25</td>
</tr>
<tr>
<td>1987</td>
<td>185,000</td>
<td>5.75</td>
</tr>
<tr>
<td>1988</td>
<td>195,000</td>
<td>6.25</td>
</tr>
<tr>
<td>1989</td>
<td>205,000</td>
<td>6.60</td>
</tr>
<tr>
<td>1990</td>
<td>220,000</td>
<td>6.90</td>
</tr>
<tr>
<td>1991</td>
<td>235,000</td>
<td>7.20</td>
</tr>
<tr>
<td>1992</td>
<td>255,000</td>
<td>7.40</td>
</tr>
<tr>
<td>1993</td>
<td>275,000</td>
<td>7.60</td>
</tr>
<tr>
<td>1994</td>
<td>290,000</td>
<td>7.80</td>
</tr>
<tr>
<td>1995</td>
<td>315,000</td>
<td>8.00</td>
</tr>
<tr>
<td>1996</td>
<td>340,000</td>
<td>8.15</td>
</tr>
<tr>
<td>1997</td>
<td>370,000</td>
<td>8.30</td>
</tr>
<tr>
<td>1998</td>
<td>405,000</td>
<td>8.40</td>
</tr>
<tr>
<td>1999</td>
<td>440,000</td>
<td>8.50</td>
</tr>
<tr>
<td>2000</td>
<td>470,000</td>
<td>8.60</td>
</tr>
<tr>
<td>2001</td>
<td>515,000</td>
<td>8.70</td>
</tr>
<tr>
<td>2002</td>
<td>560,000</td>
<td>8.75</td>
</tr>
</tbody>
</table>

If any Bond is not redeemed upon proper presentment at its maturity or call date, 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 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 on 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 and the principal amount and number of Bonds held by each owner.

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 or, when requested in writing by a registered owner, shall be paid on the interest payment date by wire transfer to the account identified by the requesting registered owner whose name, address and wire transfer account number appear on the Bond Register fifteen days preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either office of the Bond Registrar at the option of such owners. The Bonds shall be payable solely out of the Bond Fund and shall not be general obligations of the City.
Section 4. Bonds maturing in the years 1985 through 1995, inclusive, shall be issued without the right or option of the City to redeem the same prior to their stated maturities. The City reserves the right to redeem the Bonds maturing on or after December 1, 1996, as a whole, or in part in inverse order of maturity (and by lot within a maturity in such manner as the Bond Registrar shall determine), at the following redemption prices (expressed as a percentage of par), plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 1, 1995, and June 1, 1996</td>
<td>102%</td>
</tr>
<tr>
<td>December 1, 1996, and June 1, 1997</td>
<td>101%</td>
</tr>
<tr>
<td>December 1, 1997, and thereafter</td>
<td>100% (par)</td>
</tr>
</tbody>
</table>

The City shall not exercise its right to redeem Bonds unless it is, at the time of such redemption, in compliance with Section 10(a) of this ordinance.

Portions of the principal amount of any Bond, in installments of $5,000 or any integral multiple of $5,000, may be redeemed. 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 any of the denominations authorized by this ordinance.

Notice of any such intended redemption shall be given not less than 30 nor more than 60 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. The interest on the Bonds so called for redemption shall cease on the date fixed for redemption unless such Bond or
Bonds so called are not redeemed upon presentation made pursuant to such call. In addition, such redemption notice shall be mailed within the same time period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, or their successors, and to Shearson Lehman Brothers Inc., Foster & Marshall Division, in Seattle, Washington, or its successor, but such mailing to such corporations 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 a price not in excess of the call price applicable for such Bonds on the next call date, plus accrued interest to the date of such purchase.

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. 2501 for the 1984 Bonds, but excluding the amounts covenanted to be paid therein by Ordinance No. 2382 for the 1982 Bonds, payment of which will be irrevocably provided for upon the issuance and delivery of the 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 July, 1985, as follows:

(a) There shall be paid into the Principal and Interest Account an amount equal to at least 1/5 of the amount of principal due on December 1, 1985, and thereafter at least 1/12 of the amount of principal due on the Bonds required to be redeemed ("sinking fund installment") on the next principal payment date and, in addition, an amount equal to at least 1/5 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) Immediately upon the delivery of the Bonds, $12,836,000 on deposit in the Reserve Account for the 1982 Bonds shall be credited to the required reserve for the Bonds. In addition, there shall be paid into the Reserve Account, in substantially equal monthly payments and to be accumulated in full by no later than July 1, 1990, 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 any of the following investments, or in other legal investments permitted to the City and approved by the Bond Insurer, 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:

(a) bonds, notes and other evidences of direct indebtedness of the United States of America and securities unconditionally guaranteed as to the payment of principal and interest by the United States of America;

(b) obligations of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, or Export-Import Bank of the United States which are authorized investments for City funds under the laws of the State of Washington;

(c) direct obligations of, or obligations unconditionally guaranteed by, the State of Washington, or of any municipal corporation of the State of Washington, the obligations of which are authorized investments for City funds under the laws of the State of Washington and are rated Aa3 or better by Moody's Investors Service, Inc., and AA- or better by Standard & Poor's Corporation;

(d) deposits with a designated qualified public depository defined as such by the laws of the State of Washington, the deposits of which are insured by the FDIC and which

(i) has an unsecured, uninsured and unguaranteed obligation rated Aa2 or better by Moody's Investors Service, Inc., or AA or better by Standard & Poor's Corporation; or

(ii) is the lead bank of a parent holding company with an unsecured and unguaranteed obligation rated Aa2 or better by Moody's
Investors Service, Inc., and AA or better by Standard & Poor’s Corporation; or

(iii) has combined capital, surplus and undivided profits of not less than $3 million, provided the principal plus interest to accrue over the term of the deposit is fully insured by the FDIC or secured by investments described in (a), (b) and (c) above; and

(e) deposits with any savings and loan institution operating under the laws of the State of Washington having combined capital, surplus and undivided profits of not less than $3,000,000, provided the principal plus interest to accrue over the term of deposit is fully insured by the FDIC or the FSLIC or secured by investments described in (a), (b) and (c) above.

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.

All money in the Principal and Interest 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 any of the above investments, or in any other legal investments permitted to the City and approved by the Bond Insurer, having a guaranteed redemption price prior to maturity or maturing not later than the date the funds are required for the payment of principal of and interest on the Bonds. Interest earned on any such investment or on such bank deposit shall accrue to 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 accrued interest received from the purchaser of the Bonds shall be deposited in the Bond Fund. The City shall use the proceeds of the Bonds immediately upon their receipt to discharge the obligations of the City under Ordinance No. 2382 authorizing the issuance of the 1982 Bonds by providing for the payment of the principal of and interest on the 1982 Bonds as the same shall become due up to and including December 1, 1992, and, on December 1, 1992, for the call, payment and redemption of all of the outstanding 1982 Bonds maturing on December 1 of each the years 1993 through 2002, inclusive, at a price of 102% of par. The City shall discharge fully such obligations by the purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with the beginning cash balance, for such payments. The Acquired Obligations are more particularly described and are set forth in Schedule A attached to the Refunding Trust Agreement, but are subject to substitution as set forth below.

The Acquired Obligations and a beginning cash balance of $78.14 (which amount may be increased or decreased as required when the exact purchase price of the Acquired Obligations is ascertained) shall be deposited irrevocably with the Refunding Trustee. The City reserves the right to substitute other Government Obligations for any of the Acquired Obligations and to use any savings created thereby for any lawful Water System purpose if the City has obtained at its expense: (1) an independent verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee concerning the adequacy of such substituted securities with respect to the principal of and the interest thereon and
any other money or securities held for such purpose to pay the principal and interest on the outstanding 1982 Bonds, whether at maturity or upon the redemption thereof; and (2) an opinion of Roberts & Shefelman, the City's bond counsel, the interest on the Bonds will remain exempt from federal income taxation under Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder, and if such substitution shall not impair the timely payment of the principal of or interest on the 1982 Bonds or the call, payment and redemption of the 1982 Bonds on December 1, 1992.

Section 9. The City calls for redemption on December 1, 1992, all of the outstanding 1982 Bonds maturing on December 1 of each of the years 1993 through 2002, inclusive, at a price of 102\% of par, plus accrued interest to the date of such redemption. Such call for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof.

The City Treasurer and the Refunding Trustee are authorized and directed to give notice of the redemption of the 1982 Bonds in accordance with the provisions of Ordinance No. 2382.

The Refunding Trustee is authorized and directed to pay the principal of and interest on the 1982 Bonds as the same shall become due in accordance with the provisions of Ordinance No. 2382 and the 1982 Bonds from the Acquired Obligations and money deposited with the Refunding Trustee pursuant to Section 8 of this ordinance. All Acquired Obligations and the beginning cash balance deposited with the Refunding Trustee and any income therefrom shall be held, invested and applied in accordance with the provisions of Ordinance No. 2382, this ordinance, Chapter 39.53 RCW and other applicable statutes of the State of Washington.

All necessary and proper fees, compensation and expenses of the Refunding Trustee for the 1982 Bonds and all other costs
incidental to the establishment of the escrow to accomplish the refunding of the 1982 Bonds and costs related to the issuance and delivery of the Bonds including bond printing, rating service fees, bond insurance premium, bond counsel's fees and other related expenses shall be paid out of the proceeds of the Bonds.

The Mayor and City Clerk are directed to obtain from the Refunding Trustee the Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption and retirement of the 1982 Bonds as provided herein and stating that such provisions for the payment of the fees, compensation and expenses of such Refunding Trustee are satisfactory to it.

In order to carry out the purposes of the preceding section of this ordinance the Mayor and City Clerk are authorized and directed to execute the Refunding Trust Agreement.

Section 10. 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 manda-
tory 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 better-
ments, 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 not take or permit to be taken on its behalf any action which would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds.

It has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certifications may not be relied upon.

Section 11. 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 12. 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 13. 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 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 Refunding Bonds, 1985, described in the Bond Ordinance.
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 authenticated 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 14. 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 representations contained in the Bond 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 depository 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.
Upon the occurrence of an event of default which requires the Bond Insurer to make payments under the Bond Insurance Policy, the Bond Insurer shall be provided with access to the registration books of the City maintained by the Bond Registrar.

Section 15. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 16. 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 that 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 set aside irrevocably in a special fund for and pledged to such payment and refunding, money and/or Government Obligations 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 irrevocably shall make provision 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, other than the right to receive the funds so set aside and pledged, thereupon shall 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 then may 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 Government Obligations 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 Government Obligations or other legal investments are pledged irrevocably for the prior redemption of those Bonds included in that 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 the issuance of Future Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Amounts paid by the Bond Insurer under its Bond Insurance Policy shall not be deemed paid pursuant to this section and shall continue to be due and owing hereunder until paid by the City in accordance with this ordinance.

Section 17. The Bond Insurer has offered to insure the payment of principal of and interest on the Bonds in accordance with the Bond Insurance Policy it has offered to the City and for an aggregate premium of $96,231.83. The City Council has been advised by the purchaser of the Bonds that the amount of the premium it will be required to pay for the Bond Insurance Policy is less than the present value of the difference between
the yield the Bonds will bear if they are not insured and the yield they will bear if they are insured. Accordingly, the City Council finds that the purchase from the Bond Insurer of the Bond Insurance Policy insuring the payment of principal of and interest on the Bonds pursuant to the terms of the Bond Insurance Policy, for a premium of $96,056.27 plus $175.56 (to be paid by the purchaser of the Bonds), is in the City's best interest and therefore authorizes and directs the purchase of the Bond Insurance Policy and the execution of all documents necessary to accomplish that purchase.

To comply with the conditions to issuance of the Bond Insurance Policy contained in the Bond Insurer's Commitment for Municipal Bond Insurance dated June 13, 1985, the City covenants for so long as the Bonds remain outstanding as follows:

(a) It will provide to the Bond Insurer a copy of each of the annual audits of the City's accounts by the State Auditor of Washington.

(b) The consent of the Bond Insurer shall be obtained for modifications of or amendments to this ordinance.

(c) The Bond Insurer shall have the right to enforce the provisions of this ordinance.

(d) The Bond Insurer shall be furnished with written notice of the resignation or removal of the Bond Registrar and the appointment of a successor thereto.

Section 18. Shearson Lehman Brothers Inc., Foster & Marshall Division, of Seattle, Washington, has presented a purchase contract dated July 17, 1985 (the "Purchase Contract") to the City offering to purchase the Bonds under the terms and conditions provided in the Purchase Contract and to purchase on behalf of the City the Acquired Obligations at the prices specified in Schedule A of the Refunding Trust Agreement (subject to substitution), which written Purchase Contract is on file with the City Clerk and is incorporated herein by this reference.
The City Council, finding that entering into the Purchase Contract was in the City's best interest, accepted the offer contained in the Purchase Contract and authorized the execution of the Purchase Contract by City officials on June 17, 1985, and such acceptance is ratified and confirmed.

The Bonds will be printed at City expense and will be delivered to the purchaser in accordance with the Purchase Contract, with the approving legal opinion of Roberts & Shefelman, municipal bond counsel of Seattle, Washington, relative to the issuance of the Bonds, printed on each Bond. Bond counsel shall not be required to review or express any opinion concerning the completeness or accuracy of 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 proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 19. This ordinance shall take effect and be in force five (5) days from and after its passage, approval and publication as provided by law.

ATTEST:  

FORM APPROVED:

Passed: July 1, 1985  
Approved:  
Published:  

1782k
I, MARIE JENSEN, City Clerk of the City of Kent, Washington, certify that the attached copy of Ordinance No. 8570 is a true and correct copy of the original ordinance passed on the 1st day of July, 1985, as that ordinance appears on the Minute Book of the City.

DATED this 8th day of July, 1985.

MARIE JENSEN, City Clerk

1782k
EXHIBIT A

REFUNDING TRUST AGREEMENT

THIS AGREEMENT made and entered into as of the ____ day of July, 1985, by and between the CITY OF KENT, WASHINGTON (the "City"), and RAINIER NATIONAL BANK, Seattle, Washington (the "Refunding Trustee");

WITNESSETH:

SECTION 1. Recitals. The City has outstanding $4,800,000 of Water Revenue Bonds, 1982 (the "1982 Bonds"), dated December 1, 1982, maturing serially on December 1 of each of the years 1985 through 2002, and bearing various interest rates from 8.25% to 11.00% per annum, and, pursuant to Ordinance No. ____ (the "Refunding Bond Ordinance"), the City has determined to pay the principal of and interest on the 1982 Bonds as the same shall become due up to and including December 1, 1992, and, on December 1, 1992, to call, pay and redeem all outstanding 1982 Bonds maturing on December 1 of each of the years 1993 through 2002 out of the proceeds of the sale of its Water Revenue Refunding Bonds, 1985 (the "Refunding Bonds").

SECTION 2. Provisions for Refunding the 1981 Bonds. To accomplish the refunding of the 1982 Bonds as aforesaid, the City, simultaneously with the delivery of the Refunding Bonds issued pursuant to the Refunding Bond Ordinance, agrees to deposit irrevocably with the Refunding Trustee in trust for the security and benefit of the owners of the 1982 Bonds and the
Refunding Bonds, the sum of $78.14 in cash and certain Acquired Obligations with amounts, interest rates and maturities as more particularly set forth in Schedule A attached to this Agreement and by this reference incorporated herein, which securities hereinafter are referred to as Acquired Obligations. Such cash and Acquired Obligations, with the investment income therefrom, will be sufficient to provide the funds required to pay the principal of and interest on the 1982 Bonds as the same shall become due up to and including December 1, 1992, and, on December 1, 1992, to call, redeem and retire all outstanding 1982 Bonds maturing on December 1 of each of the years 1993 through 2002.

The City reserves the right to substitute other direct United States obligations for any of the Acquired Obligations if, in the opinion of Roberts & Shefelman, the interest on the Refunding Bonds will remain exempt from federal income taxation under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable regulations thereunder, and if such substitution shall not impair the timely payment of principal of or interest on the 1982 Bonds up through December 1, 1992, and the amount of principal and call premium required to pay and redeem the 1982 Bonds to be called prior to maturity on their call date.

SECTION 3. Provisions Applicable to Refunding. On or before the delivery of the Refunding Bonds, the City agrees that
it will cause to be delivered to the Refunding Trustee a state-
ment setting forth the amount of interest and principal to be
paid on each semiannual interest payment date on the 1982 Bonds
up through December 1, 1992, and the amount of principal and
call premium required to pay and redeem the 1982 Bonds to be
called prior to maturity on their call date.

In the Refunding Bond Ordinance, the City has called for
redemption or prepayment all of the 1982 Bonds to be called as
above set forth on their call date. Such call for redemption or
prepayment shall be irrevocable upon the delivery of the Refund-
ing Bonds. The Refunding Trustee, in conjunction with the City
Treasurer, shall provide for publication and mailing of the
proper notices of such redemption or prepayments in accordance
with the applicable provisions of Ordinance No. 2382 pertaining
to the 1982 Bonds.

Irrevocable provision for the giving of such notices of
redemption or prepayment has been made by the City.

SECTION 4. Disbursements by Refunding Trustee. The
Refunding Trustee shall present for payment on the due date
thereof the Acquired Obligations so deposited and shall apply
the proceeds derived therefrom in accordance with the provisions
of this section.

Money shall be transferred by the Refunding Trustee to the
City Treasurer, or to either fiscal agency of the State of
Washington in Seattle, Washington, and New York, New York (the
"Fiscal Agent"), in amounts sufficient to pay the interest on and principal of the 1982 Bonds coming due and payable on or before each payment date.

SECTION 5. Restrictions on Reinvestment of Funds; Custody and Safekeeping of Acquired Obligations. All money deposited with the Refunding Trustee or received by the Refunding Trustee as maturing principal or interest on Acquired Obligations prior to the time required to make the payments hereinbefore set forth shall be reinvested in United States Treasury Certificates of Indebtedness, Notes and/or Bonds -- State and Local Government Series, bearing interest at a rate of 0%. Subscriptions for the purchase of such obligations shall be filed with the Federal Reserve Bank at least 20 days (but not more than 60 days) prior to the actual date of purchase, or at such time as may be required by the then applicable rules and regulations relating to the purchase of such obligations.

All income derived from the Acquired Obligations and any money deposited with the Refunding Trustee pursuant to Section 2 hereof in the hands of the Refunding Trustee (which money is not required to make the payments hereinbefore required to be made) shall be paid to the City Treasurer or Fiscal Agent for the credit of the Water Revenue Bond Redemption Fund, 1963, of the City (the "Bond Fund") as and when realized and collected for use and application as other money deposited in such Bond Fund.

For as long as any of the 1982 Bonds are outstanding, on or before the 10th day of every month, commencing with the month of
August, 1985, the Refunding Trustee shall render a statement as of the last day of the preceding month to the City, which statement shall set forth the Acquired Obligations which have matured and the amounts received by the Refunding Trustee by reason of such maturity; the investment income received from such Acquired Obligations; the dates of payment and amounts paid to the City or Fiscal Agent for the payment of the interest on and principal of the outstanding 1982 Bonds until December 1, 1992, the call date and final principal and call premium payment date for the outstanding 1982 Bonds to be called; and any other transactions of the Refunding Trustee pertaining to its duties and obligations as set forth herein.

All Acquired Obligations, money and investment income deposited with or received by the Refunding Trustee pursuant to this Agreement shall be subject to the trust created by this Agreement and the Refunding Trustee shall be liable for the preservation and safekeeping thereof.

SECTION 6. Substituted Securities. Notwithstanding the foregoing or any other provision of this Agreement, at the request of the City and upon compliance with the conditions hereinafter stated, the Refunding Trustee shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of any or all of the Acquired Obligations held hereunder and to substitute therefor direct obligations of the United States of America, or
obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to pay the principal of and interest on the outstanding 1982 Bonds, whether at maturity or upon the redemption thereof. The City covenants and agrees that it will not request the Refunding Trustee to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the issue date of the Refunding Bonds. The Refunding Trustee shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Acquired Obligations held hereunder or from other money available. The transactions may be effected only if there shall have been obtained at the expense of the City: (1) an independent verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee concerning the adequacy of such substituted securities with respect to the principal of and the interest thereon and any other money or securities held for such purpose to pay the principal and interest on the outstanding 1982 Bonds, whether at maturity or upon the redemption thereof; and (2) an opinion to
the City from Roberts & Shefelman, bond counsel to the City, to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable to the Refunding Bonds, cause the interest on the Refunding Bonds not to be exempt from federal income taxation and that such disposition and substitution or purchase is not inconsistent with the statutes and regulations applicable to the Refunding Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations held hereunder and the substitution therefor of direct obligations of the United States of America, shall be released from the trust estate and shall be transferred to the City.

SECTION 7. Duties and Obligations of Refunding Trustee.

The duties and obligations of the Refunding Trustee shall be as prescribed by the provisions of this Agreement, and the Refunding Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth herein and to act in good faith in the performance thereof and no implied duties or obligations shall be incurred by such Refunding Trustee other than those specified herein.

The Refunding Trustee may consult with counsel of its choice (except as provided below) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or not taken or suffered by it.
hereunder in good faith and in accordance with the opinion of such counsel. For any questions relating to the tax exempt status of the interest on the 1982 Bonds or the Refunding Bonds, the Refunding Trustee must consult with Roberts & Shefelman, bond counsel to the City.

Provisions for the fees, compensation and expenses of the Refunding Trustee satisfactory to it have been made.

CITY OF KENT, WASHINGTON

By ________________________________

Mayor

By ________________________________

City Clerk

RAINIER NATIONAL BANK

By ________________________________

Trust Officer

1780k
## SCHEDULE A

### ACQUIRED OBLIGATIONS

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<td>SLGS</td>
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<td>8.91 %</td>
<td>12/1/88</td>
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<td>SLGS</td>
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<td>06/1/89</td>
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<td>3,906,300</td>
<td>8.966 %</td>
<td>12/1/92</td>
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</table>

*U.S. Treasury Certificates of Indebtedness, Notes and Bonds, State and Local Government Series*