AN ORDINANCE of the City of Kent, Washington, providing for the issuance of $9,608,000 principal amount of Limited Tax General Obligation Refunding Bonds, 1986, of the City for the purpose of providing the funds to refund, pay and retire its outstanding Limited Tax General Obligation Bonds, 1984; 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 now has outstanding its Limited Tax General Obligation Bonds, 1984 (the "1984 Bonds"), dated November 1, 1984, maturing on December 1 in each of the years 1986 through 2004, inclusive, in the principal amount of $7,930,000, and bearing various interest rates from 9.5% to 11.625% per annum, which 1984 Bonds were issued pursuant to Ordinance No. 2500; and

WHEREAS, pursuant to Ordinance No. 2500 the City reserved the right to redeem any or all of the 1984 Bonds prior to their stated maturity dates on December 1, 1994, or on any interest payment date thereafter at par plus accrued interest; and

WHEREAS, after due consideration, it appears to the City Council that the 1984 Bonds may be refunded by the issuance and sale of the bonds authorized herein (the "Bonds") so that a substantial savings will be effected by the difference between the principal and interest costs over the life of the Bonds and the principal and interest requirements over the life of the 1984 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 1984 Bonds as the same shall become due up to and including December 1, 1994, and on December 1, 1994, the call, payment and redemption of all outstanding 1984 Bonds at par (the "Refunding Plan"); and

WHEREAS, in order to effect such refunding in the manner that will be the most advantageous to the City and its taxpayers, it is found necessary and advisable that certain Acquired Obligations (hereinafter identified), bearing interest and maturing at such times as necessary to carry out the Refunding Plan, be purchased out of the proceeds of the sale of the Bonds and other money of the City legally available therefor; and

WHEREAS, Shearson Lehman Brothers Inc., Foster & Marshall Division, has offered to purchase such Bonds under the terms and conditions hereinafter set forth; NOW, THEREFORE, 

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

Section 1. The assessed valuation of the taxable property of the City as ascertained by the last preceding assessment for City purposes for the calendar year 1986 is $1,974,128,079, and the City has outstanding general indebtedness evidenced by limited tax general obligation bonds in the principal amount of $3,690,000 incurred within the limit of up to 3/4 of 1% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein and unlimited tax general obligation bonds in the principal amount of $545,000 incurred within the limit of up to 2-1/2% of the value of the taxable property within the City for capital purposes only, pursuant to a vote of the qualified voters of the City, and the amount of indebtedness for which the Bonds are herein authorized to be issued is $9,608,000.
Section 2. The City shall borrow money on the credit of the City and issue negotiable limited tax general obligation bonds evidencing such indebtedness in the amount of $9,608,000 for general City purposes to provide a part of the money required to pay the principal of and interest on the 1984 Bonds as the same shall become due up to and including December 1, 1994, and on December 1, 1994, to call, pay and redeem at par plus accrued interest, all remaining outstanding 1984 Bonds (the "Refunding Plan"), and to pay the costs of issuance and sale of the Bonds. Such general indebtedness to be incurred shall be within the limit of up to 3/4 of 1% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein.

Section 3. The Bonds shall be called Limited Tax General Obligation Refunding Bonds, 1986, of the City; shall be dated June 1, 1986; shall be in the denomination of $5,000 each or any integral multiple thereof within a single maturity, except that one bond maturing in 1986 shall be in the denomination of $3,000 or $5,000 or any multiple thereof plus $3,000; shall be numbered separately in the manner and with any additional designation as the Bond Registrar (collectively, the fiscal agencies of the State of Washington located in Seattle, Washington, and New York, New York) 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, 1986, and semiannually thereafter on each succeeding June 1 and December 1; and shall bear interest at the rates and mature on December 1 in years and amounts as follows:

<table>
<thead>
<tr>
<th>Maturity Years</th>
<th>Amounts</th>
<th>Interest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>$33,000</td>
<td>4.50%</td>
</tr>
<tr>
<td>1987</td>
<td>310,000</td>
<td>5.00</td>
</tr>
<tr>
<td>1988</td>
<td>320,000</td>
<td>5.25</td>
</tr>
<tr>
<td>1989</td>
<td>335,000</td>
<td>5.50</td>
</tr>
</tbody>
</table>

- 3 -
<table>
<thead>
<tr>
<th>Year</th>
<th>Amounts</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>$350,000</td>
<td>5.75%</td>
</tr>
<tr>
<td>1991</td>
<td>365,000</td>
<td>6.00%</td>
</tr>
<tr>
<td>1992</td>
<td>390,000</td>
<td>6.25%</td>
</tr>
<tr>
<td>1993</td>
<td>410,000</td>
<td>6.50%</td>
</tr>
<tr>
<td>1994</td>
<td>435,000</td>
<td>6.75%</td>
</tr>
<tr>
<td>1995</td>
<td>465,000</td>
<td>7.00%</td>
</tr>
<tr>
<td>1996</td>
<td>505,000</td>
<td>7.20%</td>
</tr>
<tr>
<td>1997</td>
<td>540,000</td>
<td>7.30%</td>
</tr>
<tr>
<td>1998</td>
<td>580,000</td>
<td>7.40%</td>
</tr>
<tr>
<td>1999</td>
<td>630,000</td>
<td>7.45%</td>
</tr>
<tr>
<td>2000</td>
<td>680,000</td>
<td>7.50%</td>
</tr>
<tr>
<td>2001</td>
<td>725,000</td>
<td>7.60%</td>
</tr>
<tr>
<td>2002</td>
<td>785,000</td>
<td>7.65%</td>
</tr>
<tr>
<td>2003</td>
<td>845,000</td>
<td>7.70%</td>
</tr>
<tr>
<td>2004</td>
<td>905,000</td>
<td>7.70%</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 Limited Tax General Obligation Refunding Bond Fund, 1986 (the "Bond Fund"), and such Bond has been called for payment.

Upon surrender thereof to the Bond Registrar, 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 Bond Registrar shall not be required to exchange or transfer any Bond during the fifteen days preceding any principal payment or redemption date.

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 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 of at least $100,000 par value of Bonds and approved by the City Finance Director, 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, in Seattle, Washington, and New York, New York, at the option of such owners.

Bonds maturing in the years 1986 through 1995 shall be issued without the right or option of the City to redeem the same prior to their stated maturity dates. The City reserves the right and option to redeem the Bonds maturing in the years 1996 through 2004, 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), on December 1, 1995, or on any semiannual interest payment date thereafter, at par plus accrued interest to the date of redemption. 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 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, at its principal office in Seattle, Washington, or its successor, but such mailings 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 price not in excess of par plus accrued interest to the date of such purchase.

Section 4. The City irrevocably pledges to levy taxes annually, for as long as any of the Bonds is outstanding, within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City, upon all property in the City subject to taxation in an amount sufficient, together with other money legally available and to be used therefor, to pay the principal of and interest on the Bonds as the same shall become due, and the full faith, credit and resources of the City
are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 5. 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, Limited Tax General Obligation Refunding Bonds, 1986, described in the within mentioned 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 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 6. 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 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 members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 7. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 8. The Bond Fund is created and established in the office of the City Finance Director. The proceeds of the sale of the Bonds, exclusive of the accrued interest thereon which shall be paid into the Bond Fund, shall be used immediately upon the receipt thereof to discharge to the extent practicable the obligations of the City for the 1984 Bonds, under Ordinance No. 2500 authorizing the 1984 Bonds, by providing for the payment of the amounts required to be paid by the Refunding Plan. To the extent practicable, the City shall discharge fully such obligations by the purchase of United States Treasury Certificates of Indebtedness, Notes and/or Bonds - State and Local Government Series and other direct obligations of the United States of America (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 a beginning cash balance, for the payment of the amounts required to be paid by the Refunding Plan.

The Acquired Obligations are more particularly described and are set forth in Schedule A attached to the Refunding Trust Agreement hereinafter referred to and attached hereto as Exhibit A.

The Acquired Obligations and beginning cash balance shall be deposited irrevocably with Rainier National Bank (the "Refunding Trustee"). Prior to such deposit, the City reserves the right to substitute other direct United States obligations for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if, in the opinion of Roberts & Shefelman, the City's bond counsel, 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 amounts required to be paid by the Refunding Plan.

After the deposit of the Acquired Obligations and the beginning cash balance with the Refunding Trustee, the City reserves the right to substitute therefor cash or direct obligations of the United States of America, subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to make all payments required by the Refunding Plan when due, that such substitution will not cause the Bonds to be arbitrage bonds within the meaning of Section 103c of the Internal Revenue Code of 1954, as amended, and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue date of the Bonds, and that the City obtain, 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 carry out
the Refunding Plan, making all required payments at the times
provided; and (2) an opinion from Roberts & Shefelman, bond
counsel to the City, or other nationally recognized bond
counsel, 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 Bonds, cause
the interest on the Bonds not to be exempt from federal income
taxation and that such disposition and substitution or purchase
is in compliance with the statutes and regulations applicable to
the Bonds. Any surplus money resulting from the sale, transfer,
other disposition or redemption of the Acquired Obligations and
the substitutions therefor of direct obligations of the United
States of America shall be released from the trust estate and
transferred to the City to be used for any lawful City purpose.

The Refunding Trustee is authorized and directed to make
the payments required to be made by the Refunding Plan from the
Acquired Obligations and money deposited with the Refunding
Trustee pursuant to this ordinance. All Acquired Obligations
and the money deposited with the Refunding Trustee and any
income therefrom shall be held, invested and applied in accord­
ance with the provisions of Ordinance No. 2500, 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 Bonds and all other costs
incidental to the setting up of the escrow to accomplish the
refunding of the 1984 Bonds and costs related to the issuance

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and delivery of the Bonds, including bond printing, rating service fees, bond counsel's fees and other related expenses shall be paid out of the proceeds of the Bonds.

In order to carry out the purposes of this ordinance, the Mayor and City Clerk of the City are authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement substantially in the form attached hereto marked Exhibit A and by this reference made a part hereof, setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with carrying out the Refunding Plan 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.

Section 9. The City calls for redemption on December 1, 1994, all of the outstanding 1984 Bonds, maturing on December 1 of each of the years 1995 through 2004, at 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 Finance Director and the Refunding Trustee are authorized and directed to give notice of the redemption of the 1984 Bonds in accordance with the provisions of Ordinance No. 2500.

Section 10. The City Council finds and determines that the issuance and sale of the Bonds at this time will effect a saving to the City and its taxpayers and is in the best interest of the City and in the public interest. In making such finding and determination, the City Council has given consideration to the fixed maturities of the Bonds and the 1984 Bonds, the costs of issuance of the Bonds and the known earned income from the investment of the proceeds of sale of the Bonds and other money
of the City used in the Refunding Plan pending payment and redemption of the 1984 Bonds.

The City Council further finds and determines that the money and Acquired Obligations to be deposited with the Refunding Trustee for the 1984 Bonds in accordance with Section 8 of this ordinance will discharge and satisfy the obligations of the City under Ordinance No. 2500 with respect to the 1984 Bonds and the pledges, charges, trusts, covenants and agreements of the City therein made or provided for as to the 1984 Bonds and that the 1984 Bonds shall no longer be deemed to be outstanding under such ordinance immediately upon the deposit of such money and Acquired Obligations with the Refunding Trustee.

Section 11. The City 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. Without limiting the generality of the foregoing, and except to the extent the investment of any Bond proceeds is limited to a yield required to comply with federal arbitrage regulations, the City will spend the proceeds of the Bonds with due diligence to completion of the purpose specified herein and will not invest or make other use of the proceeds of the Bonds or of its other money 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.
In addition, if future federal laws or regulations require the payment of any federal tax or rebate by the City or the observing by the City of any other requirement to maintain the exemption from federal income taxation of the interest on the Bonds, the City shall make any such payment and observe any such requirement to the extent permitted by law.

The City 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 12. 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 set aside irrevocably in a special fund 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 make irrevocable 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 and, except as hereinafter provided, in the funds and accounts obligated to the payment of such Bonds shall thereafter cease and become void. Such owners shall thereafter 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 right to receive payment of the principal of and interest on the defeased Bonds from the funds and accounts obligated to the payment of such Bonds. Anything herein to the contrary notwithstanding, the pledge of the full faith and credit of the City to the payment of the Bonds shall remain in full force and effect after the establishing and full funding of such trust account. Subject to the rights of the owners of Bonds, 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.

Section 13. Shearson Lehman Brothers Inc., Foster & Marshall Division, of Seattle, Washington, has presented a Purchase Contract (the "Purchase Contract") to the City under which Shearson Lehman Brothers Inc., Foster & Marshall Division, has offered 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 Exhibit A (subject to substitution), which written Purchase Contract is on file with the City Clerk and is incorporated herein by this reference. The City Council, having found that it was in the best interest of the City to enter into the Purchase Contract, accepted the offer contained in the Purchase Contract on May 12, 1986, 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 14. This ordinance shall take effect and be in force five (5) days from and after the passage, approval and publication as provided by law.

DAN KELLEHER, MAYOR

ATTEST:

BRENDA JACOBER, DEPUTY CITY CLERK

APPROVED AS TO FORM:

F. STEPHEN DIJULIO, CITY ATTORNEY

PASSED the 19 day of May, 1986.
APPROVED the 20 day of May, 1986.
PUBLISHED the 23 day of May, 1986.

I hereby certify that this is a true and correct copy of Ordinance No. 2632, passed by the City Council of the City of Kent, Washington, and approved by the Mayor of the City of Kent as hereon indicated.

BRENDA JACOBER, DEPUTY CITY CLERK
Exhibit A

REFUNDING TRUST AGREEMENT

THIS AGREEMENT made and entered into as of the 5th day of June, 1986, by and between the CITY OF KENT, WASHINGTON (the "City"), a municipal corporation, and RAINIER NATIONAL BANK, Seattle, Washington (the "Refunding Trustee");

W I T N E S S E T H:

SECTION 1. Recitals. The City has outstanding $7,930,000 Limited Tax General Obligation Bonds, 1984, maturing serially on December 1 of each of the years 1986 through 2004, inclusive, and having various interest rates from 9.5% to 11.625% per annum (the "1984 Bonds"), and, pursuant to Ordinance No. ___ (the "Refunding Bond Ordinance") of the City, the City has determined to pay the principal of and interest on the 1984 Bonds as the same shall become due up to and including December 1, 1994, and, on December 1, 1994, to call, pay and redeem all of the outstanding 1984 Bonds at par plus accrued interest (the "Refunding Plan") out of the proceeds of the sale of its Limited Tax General Obligation Refunding Bonds, 1986 (the "Refunding Bonds").

SECTION 2. Provisions for Refunding the 1984 Bonds. To carry out the Refunding Plan, 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 outstanding 1984 Bonds and the Refunding Bonds, the amount
$100 in cash and certain United States Treasury Certificates of Indebtedness, Notes and/or Bonds - State and Local Government Series ("SLGS") and other direct obligations of the United States of America 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 carry out the Refunding Plan.

Prior to the deposit of any such Acquired Obligations, the City reserves the right as hereinafter provided to substitute other direct United States obligations for any of the Acquired Obligations if (a) in the opinion of Roberts & Shefelman, bond counsel for the City, the Refunding 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 (b) such substitution shall not impair the timely payment of the amounts required to be paid under the Refunding Plan.

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 statement setting forth the amount of principal and interest to be paid on each semiannual interest payment date and principal and
interest to be paid on the call date in carrying out the Refunding Plan.

In the Refunding Bond Ordinance, the City irrevocably has called for redemption or prepayment all of the outstanding 1984 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 Refunding Bonds. The Refunding Trustee, in conjunction with the City Finance Director, shall provide for publication and mailing of the proper notices of such redemptions or prepayments in accordance with the applicable provisions of Ordinance No. 2500 with respect to the 1984 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 either fiscal agency of the State of Washington in Seattle, Washington, or New York, New York (the "Fiscal Agent"), in amounts sufficient to pay, when due, the amounts required to be paid by the Refunding Plan.

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 SLGS 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 Finance Director for the credit of the Limited Tax General Obligation Refunding Bond Fund, 1986, 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 1984 Bonds are outstanding, semiannually on or before the 10th day of each July and January, commencing with the month of January, 1987, the Refunding Trustee shall render a statement as of the last day of the preceding month to the City Finance Director, 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 amounts paid to the City Finance Director for the payments required to be made by the Refunding Plan, 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 cash or direct obligations of the United States of America, subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, making all required payments at the times provided. 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 carry out
the Refunding Plan, making all required payments at the times
provided; and (2) an opinion from Roberts & Shefelman, bond
counsel to the City, or other nationally recognized bond
counsel, 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 disposi-
tion or redemption of the Acquired Obligations held hereunder
and the substitutions therefor of direct obligations of the
United States of America shall be released from the trust estate
and shall be transferred to the City to be used for any lawful
City purpose.
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 1984 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, Seattle, Washington

2449k

By _____________________________

- 7 -
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*LC - State and Local Government Series - Certificates of Indebtedness
LN - State and Local Government Series - Notes