AN ORDINANCE of the City of Kent, Washington, relating to the storm and surface water utility of the City; amending Ordinance No. 2559; providing for the issuance of $4,600,000 principal amount of Sewerage System Revenue Bonds, 1986, of the City for the purpose of providing a part of the funds to carry out a system or plan of additions to and betterments and extensions of that storm and surface water utility as adopted by Ordinance No. 2559, as amended; fixing the date, form, maturities, interest rates, terms and covenants of such bonds; creating a bond retirement fund and related accounts therein; and approving the sale and providing for the delivery of such bonds to Shearson Lehman Brothers Inc., Foster & Marshall Division, of Seattle, Washington.

Passed October 20, 1986
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AN ORDINANCE of the City of Kent, Washington, relating to the storm and surface water utility of the City; amending Ordinance No. 2559; providing for the issuance of $4,600,000 principal amount of Sewerage System Revenue Bonds, 1986, of the City for the purpose of providing a part of the funds to carry out a system or plan of additions to and betterments and extensions of that storm and surface water utility as adopted by Ordinance No. 2559, as amended; fixing the date, form, maturities, interest rates, terms and covenants of such bonds; creating a bond retirement fund and related accounts therein; and approving the sale and providing for the delivery of such bonds to Shearson Lehman Brothers Inc., Foster & Marshall Division, of Seattle, Washington.

WHEREAS, the City of Kent, Washington (the "City"), operates and maintains a system of sewerage pursuant to the provisions of RCW 35.67.020, 35.21.120, 35.92.020, and 35A.80.010; and

WHEREAS, the City established a storm and surface water utility and adopted a system or plan of storm water collection and treatment for the City by Ordinance No. 2325, passed on December 21, 1981; and

WHEREAS, the City combined its storm and surface water utility with its sanitary sewage collection and disposal system and its garbage and refuse collection and disposal system, the combined system to be referred to as the "system of sewerage," by Ordinance No. 2547, passed on April 1, 1985; and

WHEREAS, by Ordinance No. 2665, passed on October 20, 1986, the City removed its garbage and refuse collection and disposal system from its system of sewerage; and

WHEREAS, the City adopted the "City of Kent Surface Drainage Utility Drainage Master Plan," dated February 20, 1985 (the "Drainage Master Plan"), by Ordinance No. 2547, as the
system or plan of additions to and betterments and extensions of the storm and surface water utility; and

WHEREAS, by Ordinance No. 2559, passed on May 6, 1985, the City ordered the carrying out of a portion of the Drainage Master Plan and authorized the issuance of sewerage system revenue bonds in the amount of approximately $3,580,000 to pay the cost of carrying out such Improvements; and

WHEREAS, Ordinance No. 2559 did not include the Garrison Creek Erosion Control Basin project, which project should be included within the portion of the Drainage Master Plan ordered to be carried out (collectively, the "Improvements") and for which sewerage system revenue bonds should be issued; and

WHEREAS, the City Council has determined that it is in the City's best interest to issue and sell $4,600,000 par value of such sewerage system revenue bonds to provide the funds necessary to carry out the Improvements, and Shearson Lehman Brothers Inc., Foster & Marshall Division, has offered to purchase such Bonds on the terms and conditions hereinafter set forth; NOW, THEREFORE,

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

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

"Annual Debt Service" for the applicable issue or series of Bonds and Future Parity Bonds for any calendar year shall mean all the interest, plus all principal (except principal of Term Bonds due in any Term Bond Maturity Year to the extent that those Term Bonds are subject to either mandatory prior redemption or sinking fund requirements), and plus all mandatory redemption and sinking fund requirements for that year, less all bond interest payable from the proceeds of any such Bonds or Future Parity Bonds in that year.
"Assessment Account" shall mean the account of that name created in the Bond Fund by Section 5 of this ordinance.

"Assessment Bonds" shall mean the original principal amount of any issue of Future Parity Bonds equal to the total principal amount of ULID Assessments on any final assessment roll or rolls of one or more ULIDs formed in connection with the improvements being financed by such issue of Future Parity Bonds. When a bond of any issue of bonds containing Assessment Bonds is redeemed or purchased, and retired, the same percentage of that bond as the percentage of Assessment Bonds is to that total issue of bonds shall be treated as being redeemed or purchased, and retired.

"Average Annual Debt Service" shall mean, as of any calculation date, the sum of the Annual Debt Service for the remaining calendar years to the last scheduled maturity of the applicable issue or series of Bonds and Future Parity Bonds divided by the number of those years.

"Bond Fund" shall mean the Sewerage System Revenue Bond Fund, 1986, created by Section 5 of this ordinance for the purpose of paying and securing the principal of and interest on the Bonds and any Future Parity Bonds.

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

"Bonds" shall mean the $4,600,000 principal amount of Sewerage System Revenue Bonds, 1986, authorized to be issued by this ordinance.

"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.

"Coverage Requirement" shall mean Net Revenue of the System at least equal to the sum of:
(i) 1.25 times the Annual Debt Service in that current year on applicable Bonds and Future Parity Bonds which are not Assessment Bonds,

(ii) plus an amount at least equal to 1.00 times the Annual Debt Service in that current year on all Assessment Bonds minus collections of ULID Assessments,

(iii) plus any additional amount necessary to make the required Reserve Account deposits in that current year on all outstanding Bonds and Future Parity Bonds.

Annual Debt Service on Assessment Bonds is that portion of Annual Debt Service on all Bonds and Future Parity Bonds equal to the quotient of Assessment Bonds divided by the total of all Bonds and Future Parity Bonds. For the purposes of determining the Coverage Requirement for the issuance of Future Parity Bonds having variable interest rates, such bonds shall be assumed to bear interest at a fixed rate equal to the higher of 8.5% and the highest variable rate borne by any outstanding variable rate Sewerage System bonds of the City during the preceding 24 months, or if no such variable rate bonds are outstanding at the time of calculation, the rate borne by other variable rate debt the interest rate for which is determined by reference to an index comparable to the index to be used to determine the interest rate on the Future Parity Bonds then proposed to be issued.

"Drainage Master Plan" shall mean the "City of Kent Surface Drainage Utility Drainage Master Plan," dated February 20, 1985.

"Future Parity Bonds" shall mean any and all revenue bonds of the City issued after the date of the issuance of the Bonds pursuant to the provisions of Section 12 of this ordinance, the payment of the principal of and interest on which constitutes a lien and charge upon the Gross Revenue of the Sewerage System and ULID Assessments on a parity with the lien and charge of the Bonds upon such Gross Revenue and ULID Assessments.

"Government Obligations" shall mean direct obligations of the United States of America.
"Gross Revenue of the Sewerage System" or "Gross Revenue" shall mean all the earnings and revenue received by the Sewerage System from any source whatsoever, except general ad valorem taxes, ULID Assessments, grants from state, federal or local governments, earnings in any refunded bond escrow account or fund, gifts to the Sewerage System for capital purposes, proceeds from the sale of City property, and original proceeds of City or Sewerage System obligations.

"Improvements" shall mean that portion of the Drainage Master Plan described in Exhibit A of Ordinance No. 2559 and Section 2 of this ordinance, and ordered to be carried out by that ordinance and this ordinance.

"Maximum Annual Debt Service" shall mean, as of any calculation date, the maximum amount of Annual Debt Service which shall mature or come due in the current calendar year or any future calendar year.

"Net Revenue of the Sewerage System" or "Net Revenue" shall mean the Gross Revenue of the Sewerage System less Operating and Maintenance Expenses.

"Operating and Maintenance Expenses" shall mean all reasonable expenses incurred by the City in causing the Sewerage System to be operated and maintained in good repair, working order and condition, including, without limitation, payments (other than payments out of proceeds of the Bonds or Future Parity Bonds) of premiums for insurance on the Sewerage System, and any State-imposed taxes, and also including all payments made to another agency for drainage and sewerage service, but excluding depreciation and amortization, and any City-imposed utility taxes or payments in lieu of taxes.

"Permitted Investments" shall mean:

(i) 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;

(ii) 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;

(iii) 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 Aa or better by Moody's Investors Service, Inc., and AA or better by Standard & Poor's Corporation;

(iv) 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 Federal Deposit Insurance Corporation and which

(a) 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

(b) 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

(c) has combined capital, surplus and undivided profits of not less than $3,000,000, provided that the principal plus interest to accrue over the term of the deposit is fully insured by the Federal Deposit Insurance Corporation or secured by investments described in (i), (ii) and (iii) above; and

(v) 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 that the principal plus interest to accrue over the term of the deposit is fully insured by the Federal Deposit Insurance Corporation or the FSLIC or secured by investments described in (i), (ii) and (iii) above.

"Principal and Interest Account" shall mean the account of that name created in the Bond Fund by Section 5 of this ordinance for the payment of the principal of and interest on the Bonds and any Future Parity Bonds.

"Reserve Account" shall mean the account of that name created in the Bond Fund by Section 5 of this ordinance for the
purpose of securing the payment of the principal of and interest on the Bonds and any Future Parity Bonds.

"Reserve Account Instrument" shall mean, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

"Reserve Requirement" shall mean:

1. For the Bonds, $455,000; and
2. For any issue of Future Parity Bonds, to be fixed at the time of their issuance, the lesser of the Maximum Annual Debt Service or 125% of the Average Annual Debt Service on those Future Parity Bonds.

3. Notwithstanding paragraphs (1) and (2) above, the deposit to be made into the Reserve Account, and the Reserve Requirement, shall each be decreased for any issue of Future Parity Bonds when and to the extent that the City has provided for a Reserve Account Instrument to secure the payment of the principal of and interest on such Future Parity Bonds. The amount payable under any Reserve Account Instrument shall be credited against the amount otherwise required to be paid into the Reserve Account to meet the Reserve Requirement for an issue of Future Parity Bonds.

For purposes of calculating the Reserve Requirement for the issuance of Future Parity Bonds bearing interest at a variable rate, the requirement shall be the lesser of 8.5% per annum and the highest rate permitted, in the opinion of bond counsel, consistent with maintaining the tax-exempt status of the interest on the Bonds and the Future Parity Bonds. Such amount shall be accumulated within five years of the date of issuance of the
proposed Future Parity Bonds and, to the extent it is not
capitalized from the proceeds of such Future Parity Bonds, shall
be deposited in approximately equal annual payments commencing
one year after the date of issuance of such Future Parity Bonds.

"Revenue Fund" shall mean the Sewer Revenue Fund created
and established by Ordinance No. 871 of the City.

"Sewerage System" shall mean the City's existing combined
sanitary sewerage collection and disposal system and storm and
surface water utility, and any system for garbage and refuse
collection and disposal which hereafter may be combined lawfully
with the existing system, together with all additions thereto
and betterments and extensions thereof at any time made or
constructed.

"Term Bond Maturity Year" shall mean any year in which Term
Bonds are scheduled to mature.

"Term Bonds" shall mean the Bonds maturing in 2006 and any
Future Parity Bonds of any single issue or series (a) designated
as Term Bonds in the ordinance authorizing their issuance or
sale, (b) the amount of maturing principal of which, in the year
they are scheduled to mature, is more than 1.25 times the
average amount of the principal maturities for the three years
immediately preceding that Term Bond Maturity Year, and (c)
which are subject to mandatory prior redemption or for which
mandatory sinking fund payments are provided.

"ULID" shall mean a utility local improvement district of
the City.

"ULID Assessments" shall mean all assessments levied and
collected in any ULID of the City created for the acquisition or
construction of additions to and extensions of the Sewerage
System, if such assessments are pledged to be paid into the Bond
Fund (less any prepaid assessments permitted by law to be paid
into a construction fund or account). Assessments include any
installments of assessments and any interest or penalties which may be due thereon.

Section 2. Additional Improvements Ordered to be Carried Out; Amendments of Ordinance No. 2559. Ordinance No. 2559 is amended as follows:

2.1 Amendment of Exhibit A of Ordinance No. 2559. Exhibit A of Ordinance No. 2559 is amended as set forth in Exhibit A, attached hereto and incorporated herein by this reference.

2.2 Amendment of Section 5 of Ordinance No. 2559. Section 5 of Ordinance No. 2559 is amended to read as follows:

Section 5. Sewerage system revenue bonds in the amount of approximately ((3,580,000)) $4,600,000 are authorized to be issued to pay the cost of acquiring, constructing and making the foregoing additions to and betterments and extensions of the system of sewerage ordered to be carried out by Section 4, to capitalize the reserve for and to pay the costs of issuance of such bonds, to capitalize interest on such bonds during the period of construction, if necessary, and to pay such other costs as may be allowed by law. The bonds shall be named; shall bear interest at such rate or rates not to exceed the maximum rate permitted by law; shall be issued in such series; shall be in such denominations and form; shall bear such date or dates; shall be payable at such place or places; shall mature serially in accordance with such schedule ending not later than thirty years after the date of issuance or shall be term bonds; shall have such option of payment prior to maturity; shall guarantee such coverage and collection of rates; shall provide for such additional funds and accounts; shall be payable out of such special sewerage system revenue bond fund; and shall contain and be subject to such provisions or covenants as hereafter shall be provided by ordinance.
Section 3. Authorization of Bonds. For the purpose of providing a part of the money required to pay the cost of carrying out the Improvements, to pay the costs of issuing the Bonds and to capitalize a reserve, the City shall issue the Bonds in the aggregate principal amount of $4,600,000. The Bonds shall be designated Sewerage System Revenue Bonds, 1986; shall be dated November 1, 1986; shall be in the denominations of $5,000 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; and shall bear interest at the rates (computed on the basis of a 360-day year of twelve 30-day months), payable on May 1, 1987, and semiannually thereafter on each succeeding November 1 and May 1, and shall mature on November 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>1988</td>
<td>$130,000</td>
<td>5.25%</td>
</tr>
<tr>
<td>1989</td>
<td>135,000</td>
<td>5.50</td>
</tr>
<tr>
<td>1990</td>
<td>145,000</td>
<td>5.75</td>
</tr>
<tr>
<td>1991</td>
<td>150,000</td>
<td>6.00</td>
</tr>
<tr>
<td>1992</td>
<td>160,000</td>
<td>6.25</td>
</tr>
<tr>
<td>1993</td>
<td>170,000</td>
<td>6.50</td>
</tr>
<tr>
<td>1994</td>
<td>185,000</td>
<td>6.65</td>
</tr>
<tr>
<td>1995</td>
<td>195,000</td>
<td>6.80</td>
</tr>
<tr>
<td>1996</td>
<td>210,000</td>
<td>6.90</td>
</tr>
<tr>
<td>1997</td>
<td>225,000</td>
<td>7.00</td>
</tr>
<tr>
<td>1998</td>
<td>240,000</td>
<td>7.10</td>
</tr>
<tr>
<td>1999</td>
<td>255,000</td>
<td>7.20</td>
</tr>
<tr>
<td>2000</td>
<td>275,000</td>
<td>7.30</td>
</tr>
<tr>
<td>2001</td>
<td>295,000</td>
<td>7.30</td>
</tr>
<tr>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>2006</td>
<td>1,830,000</td>
<td>7.40</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 rate borne by 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 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 amounts and numbers of Bonds held by each such 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 at least fifteen days preceding an interest payment date by a registered owner of at least $100,000 principal amount 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 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. Redemption of Bonds. Bonds maturing in the years 1988 through 1996, inclusive, 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 on and after November 1, 1997, 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 November 1, 1996, and on any interest payment date thereafter, at par plus accrued interest to the date of redemption.

The Bonds maturing in the year 2006 are Term Bonds and, if not previously called for optional redemption or purchased in the open market, shall be called for redemption at par plus accrued interest to the date of such redemption by lot (in such manner determined by the Bond Registrar), and the City shall set aside into the Principal and Interest Account, in the following years and following amounts:

<table>
<thead>
<tr>
<th>Mandatory Redemption Date</th>
<th>Redemption and Mandatory Sinking Fund Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$315,000</td>
</tr>
<tr>
<td>2003</td>
<td>340,000</td>
</tr>
<tr>
<td>2004</td>
<td>365,000</td>
</tr>
<tr>
<td>2005</td>
<td>390,000</td>
</tr>
<tr>
<td>2006</td>
<td>420,000</td>
</tr>
</tbody>
</table>

Term Bonds previously redeemed by optional call or open market purchase shall be credited to the Bonds to be called on the next mandatory redemption date.

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. Interest on the Bonds so called for redemption shall cease to accrue 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 and option to purchase any or all of the Bonds in the open market at any time at a price not in excess of the call price applicable for such Bonds on the then applicable or next call date, plus accrued interest to the date of such purchase. Bonds so purchased shall be retired and cancelled.

Section 5. Sewerage System Revenue Bond Fund, 1986. There is created in the office of the City Finance Director a special fund of the City to be known as the Sewerage System Revenue Bond Fund, 1986 (herein defined as the "Bond Fund"), which fund is divided into three accounts, namely, a Principal and Interest Account, an Assessment Account and a Reserve Account. So long
as any Bonds or Future Parity Bonds are outstanding against the Bond Fund, the City obligates and binds itself to set aside and pay into the Bond Fund all ULID Assessments upon their collection and, on or before the 20th day of each month, out of the Net Revenue of the Sewerage System, certain fixed amounts without regard to any fixed proportion, namely:

(a) Into the Principal and Interest Account, beginning with the month of November, 1986, at least an amount which, together with ULID Assessments and other money on deposit therein, will equal 1/6 of the amount of interest to become due and payable on the Bonds outstanding on the next interest payment date and beginning with the month of November, 1987, at least an amount which, together with ULID Assessments and other money on deposit therein, will equal 1/12 of the amount of principal to become due and payable on the Bonds outstanding on the next principal payment date, including any Bonds subject to mandatory redemption on that date and, on or before each interest or principal and interest payment date of Future Parity Bonds, at least an amount which, together with ULID Assessments and other money on deposit therein, will be sufficient to pay the interest or principal and interest to become due and payable on Future Parity Bonds outstanding on that next payment date, including any Future Parity Bonds subject to mandatory redemption on that date;

(b) Into the Assessment Account, all ULID Assessments deposited into the Bond Fund in excess of the amount of money deposited in the Principal and Interest Account required to pay principal of and interest on Bonds and Future Parity Bonds, and to be used for the purposes set forth below in this Section 5; and

(c) Into the Reserve Account, from the proceeds of the Bonds, an amount necessary to fund the Reserve Requirement for the Bonds and, for Future Parity Bonds, an amount necessary to fund the Reserve Requirement within the time permitted by this ordinance. For the Bonds, the Reserve Requirement shall be fully funded by proceeds from the issuance and sale of the Bonds.

The City covenants and agrees that it will at all times maintain in the Reserve Account an amount equal to the Reserve Requirement, except for withdrawals therefrom as authorized herein, at all times so long as any of such bonds are outstanding. When the total amount in the Bond Fund shall equal the total amount of principal and interest for all outstanding bonds payable out of the Bond Fund to the last maturity thereof, no further payment need be made into the Bond Fund.
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, to pay required redemptions of the Bonds or Future Parity Bonds, or to meet sinking fund requirements, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose to the extent such deficiency is not made up from the Assessment Account. Any deficiency created in the Reserve Account by reason of any such withdrawals shall then be made up from the Net Revenue of the Sewerage System first available after making necessary provisions for the required payments into the Principal and Interest Account. The Reserve Requirement in the Reserve Account shall otherwise be held intact and may be applied against the last outstanding bonds payable out of the Bond Fund.

The City may provide for the purchase, redemption or defeasance of bonds payable from the Bond Fund by the use of money on deposit in any account in the Bond Fund as long as the money remaining in those accounts is sufficient to satisfy the required deposits in those accounts for the remaining bonds outstanding payable from the Bond Fund.

Money in the Assessment Account shall be used with other available money to pay and redeem Bonds and Future Parity Bonds called for redemption prior to their maturity, or, if insufficient money is deposited in the Principal and Interest Account, then for deposit into that account to meet the required payments therefrom.

All money in the Bond Fund may be kept in cash or invested in Permitted Investments maturing not later than the date when the funds are required for the payment of principal of or interest on the outstanding bonds payable from the Bond Fund (for investments in the Principal and Interest Account) or
having a guaranteed redemption price prior to maturity or maturing not later than twelve years from the date of the investment and, in no event, maturing later than the last maturity of any remaining outstanding bonds payable from the Bond Fund, whichever is the lesser (for investments in the Reserve Account). Income from investments in the Principal and Interest Account shall be deposited in that account. Income from investments in the Assessment Account shall be deposited in the Assessment Account. Income from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirements of all bonds payable from the Bond Fund, and thereafter shall be deposited in the Principal and Interest Account.

Notwithstanding the provisions for the deposit of earnings, any earnings which are subject to a federal tax or rebate requirement may be withdrawn from the Bond Fund for deposit into a separate fund or account for that purpose.

In no event shall any money in the Bond Fund or any other money reasonably expected to be used to pay principal of or interest on the Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the United States Internal Revenue Code of 1986 and applicable regulations thereunder.

In addition, the City reserves the right to substitute for all or for a portion of the Reserve Account a Reserve Account Instrument which, when combined with any money or investments in the Reserve Account, equals an amount not less than the Reserve Requirement for all outstanding Bonds and Future Parity Bonds. The City covenants that any such substitution will be subject to the prior approval by any provider of bond insurance for any then outstanding Future Parity Bonds and written certificates from Moody's Investors Service, Inc., and Standard & Poor's...
Corporation that such substitution will not result in any change in the outstanding ratings of the Bonds and any Future Parity Bonds and will not impair the security thereof.

The City may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of bonds payable from the Bond Fund as long as the maintenance of such accounts does not conflict with the rights of the owners of bonds payable from the Bond Fund.

If the City fails to set aside and pay into the Bond Fund the amounts set forth above, the owner of any of the outstanding bonds payable out of the Bond Fund may bring action against the City and compel the setting aside and payment.

Section 6. Pledge of Bonds. The Gross Revenue of the Sewerage System and ULID Assessments are pledged irrevocably to the payments required by this ordinance, and the Bonds and Future Parity Bonds, if any, shall constitute a charge or lien upon such Gross Revenue and ULID Assessments prior and superior to any other charges whatsoever, excluding Operating and Maintenance Expenses.

Section 7. Sufficiency of Gross Revenue. In the judgment of the City Council, the Gross Revenue of the Sewerage System at the rates to be charged for surface drainage and sewerage service will be more than sufficient to meet all Operating and Maintenance Expenses and to permit the setting aside into the Bond Fund out of the Gross Revenue of the Sewerage 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 earlier 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 Operating and Maintenance Expenses, 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 Gross Revenue of the Sewerage System than in the judgment of the City Council will be available over and above such Operating and Maintenance Expenses and that no portion of the Gross Revenue of the Sewerage System previously has been pledged for any indebtedness.

Section 8. Form of Bonds. 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, Sewerage System Revenue Bonds, 1986, described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By __ Authorized Officer

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

In case either or both of the officers who shall have executed the Bonds shall cease to be such officer or officers of the City before the Bonds so signed shall have been 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 9. Registration. 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 is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and City Ordinance No. 2418 establishing a system of registration for the City's bonds and obligations.

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

Section 11. Covenants. The City covenants and agrees with the owner of each Bond at any time outstanding, as follows:
11.1 **ULID Assessments.** All ULID Assessments shall be paid into the Bond Fund and may be used to pay the principal of and interest on the Bonds and Future Parity Bonds without those Assessments being particularly allocated to the payment of the principal of and interest on any particular issue of bonds. Nothing in this ordinance or this section shall be construed to prohibit the City from issuing sewerage revenue bonds having a subordinate lien to the Bonds and pledging as security for their payment assessments levied in any ULIDs which may have been specifically created to pay part of the cost of improvements to the Sewerage System for which those subordinate lien bonds were specifically issued.

11.2 **Rates and Charges.** It will establish, maintain and collect each year such rates and charges for drainage and sewerage service (and for garbage and refuse collection and disposal service should any system for such service ever be combined with the Sewerage System) and shall adjust such rates and charges from time to time so that there will be made available for the payment of the principal of and interest on the Bonds and any Future Parity Bonds Net Revenue of the Sewerage System, together with the collection of ULID Assessments, in an amount equal to the Coverage Requirement.

11.3 **Good Repair.** It will at all times maintain and keep the Sewerage System and all additions thereto and betterments, replacements and extensions thereof in good repair, working order and condition and also will at all times operate the Sewerage System and the business in connection therewith in an efficient manner and at a reasonable cost.

11.4 **Limitation on Sale of Property.** It will not sell, lease, mortgage, or in any manner encumber or dispose of all of the property of the Sewerage System unless provision is made for payment into the Bond Fund of an amount sufficient to
pay the principal of and interest on all Bonds and Future Parity Bonds at that time outstanding, and it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Sewerage System that is used, useful and material to the operation thereof, unless provision is made for replacement thereof or for payment into the Bond Fund of the total amount of revenue of the Sewerage System received, which shall not be less than an amount which shall bear the same ratio to the amount of outstanding Bonds and Future Parity Bonds as the Gross Revenue of the Sewerage System 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 Sewerage System sold, leased, mortgaged, encumbered or disposed of bears to the Gross Revenue of the Sewerage System available for debt service for such bonds from the entire Sewerage System for the same period. Any money so paid into the Bond Fund shall be used to retire all or part of such outstanding bonds not later than the earliest par call date.

11.5 Accounts and Records. 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 Sewerage System and it will furnish to the owner or owners thereof at the written request of such owner or owners, complete operating and income statements of the Sewerage 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 Sewerage 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 to such owner a copy of the most recently completed audit of the
City’s accounts by the State Auditor of Washington, or such other audit as is authorized by law in lieu thereof.

11.6 **No Free Service; Enforcement of Accounts and ULID Assessments.** It will not furnish any service of the Sewerage System (or any garbage and refuse collection and disposal service should any system for such service ever be combined with the Sewerage System) to any customer whatsoever free of charge, and it will promptly take legal action to enforce the collection of all delinquent accounts. In addition, if on the date specified by law and in ordinances of the City in any year two installments of any ULID Assessments have been delinquent for more than one year, the City shall proceed with the foreclosure of the delinquent assessments or delinquent installments thereof in the manner required by law and ordinances of the City.

11.7 **Self-Insurance and Insurance.** It either will at all times self-insure in such manner and to such extent as the City shall determine to be necessary and appropriate or, to the extent insurance coverage is available at reasonable cost with responsible insurers, will carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the Sewerage System as under good practice are ordinarily carried on such buildings, equipment, facilities and properties by utilities engaged in the operation of drainage and sewerage systems to the full insurable value thereof, and also will carry adequate public liability insurance (and war risk insurance if available at reasonable rates) at all times. The premiums on such insurance policies are declared to be a normal part of Operating and Maintenance Expenses.

11.8 **Payment of Obligations.** It will pay all Operating and Maintenance Expenses and the debt service requirements for all outstanding Bonds and Future Parity Bonds and
otherwise will meet the obligations of the City as set forth in this ordinance.

11.9 Limitation on Substantial Reduction of Gross Revenue. It will not change any rate or charge for Sewerage System service as now established by the existing rate ordinance or ordinances of the City that will substantially reduce the annual Gross Revenue of the Sewerage System below that which would have been obtained before such change unless the City shall have on file a certificate from a licensed professional engineer experienced in the design, construction and operation of municipal utilities, stating the rates and charges as so changed will provide Gross Revenue of the Sewerage System, together with ULID Assessments, sufficient to comply with all the covenants and requirements of this ordinance, including the Coverage Requirement.

11.10 Non-Arbitrage and Arbitrage Rebate Covenants. The City covenants that it will neither make nor permit any use of proceeds of the Bonds or other funds of the City at any time during the term of the Bonds which will cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the United States Internal Revenue Code of 1986 and applicable regulations promulgated thereunder. Further, the City covenants that, if all proceeds of the Bonds have not been spent within six months from the date of issuance of the Bonds, the City will calculate, or cause to be calculated, and rebate to the United States all earnings from the investment of Bond proceeds that are in excess of the amount that would have been earned had the yield on such investments been equal to the yield on the Bonds, plus all income derived from such excess earnings, to the extent and in the manner required by Section 148 of such Code and such applicable regulations.
It has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

Section 12. Future Parity Bonds. The City covenants and agrees with the owner of each Bond at any time outstanding that it will not issue any Future Parity Bonds except upon compliance with the following conditions:

(a) At the time of the issuance of such Future Parity Bonds, there shall be no deficiency in the Bond Fund.

(b) The ordinance providing for the issuance of such Future Parity Bonds shall provide that all assessments and interest thereon, except for prepaid assessments used to pay costs of improvements, which may be levied in any ULID hereafter created for the purpose of paying, in whole or in part, the principal of and interest on such Future Parity Bonds, shall be paid directly into the Bond Fund.

(c) The ordinance authorizing the issuance of such Future Parity Bonds shall provide for the payment of sinking fund requirements into the Bond Fund for any Term Bonds to be issued and for regular payments to be made for the payment of the principal of such Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of such Term Bonds prior to their maturity date from money in the Principal and Interest Account and Assessment Account.

(d) The ordinance authorizing the issuance of any Future Parity Bonds shall provide for the payment of the principal of and interest thereon out of the Bond Fund.

(e) The ordinance providing for the issuance of such Future Parity Bonds shall provide for the payment of an amount equal to the Reserve Requirement for those Future Parity Bonds into the Reserve Account in the Bond Fund from the Future Parity Bond proceeds and, to the extent such Reserve Requirement is not funded from Future Parity Bond proceeds, then from money in the Reserve Account in excess of the Reserve Requirement of all bonds then payable from the Bond Fund and from the Net Revenue of the Sewerage System in sixty approximately equal monthly payments. The requirement of this subsection is subject to the City's right to fund all or a portion of the Reserve Requirement with a Reserve Account Instrument. In the event such Future Parity Bonds are issued for the purpose of refunding outstanding Bonds and/or Future Parity Bonds, the amount of such reserve allocated to such bonds being so refunded shall be retained or used as a reserve for such refunding Future Parity Bonds or used to retire
outstanding Bonds or outstanding Future Parity Bonds pursuant to the refunding plan, which reserve amount shall be replaced in the same manner and within the same time as required for additional Future Parity Bonds, or such reserve may remain in the Reserve Account to be used as the reserve for remaining bonds payable from the Bond Fund.

(f) At the time of the issuance of such Future Parity Bonds, the City shall have on file a certificate from an independent, licensed professional engineer experienced in the design, construction and operation of municipal utilities, or a certified public accountant, stating that in his or her professional opinion the Net Revenue of the Sewerage System for any twelve consecutive calendar months out of the immediately preceding twenty-four calendar months, together with the projected collections of ULID Assessments, shall be equal to the Coverage Requirement for each year thereafter. However, if Future Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding bonds payable from the Bond Fund, such certification of coverage shall not be required if the Annual Debt Service in each year for the refunding bonds is not increased over the amount required for the bonds to be refunded thereby and the maturities of those refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby.

The engineer's or accountant's certificate, in estimating the Net Revenue of the Sewerage System available for debt service, shall use the historical Net Revenue of the Sewerage System for any twelve consecutive months out of the twenty-four months immediately preceding the month of delivery of the Future Parity Bonds. Such Net Revenue may be adjusted to reflect:

(1) Any changes in rates in effect and being charged or expressly committed by ordinance of the City Council to be made in the future;

(2) Income derived from customers of the Sewerage System that have become customers during the twelve consecutive month period or thereafter adjusted to reflect one year's net revenue from such customers;

(3) Revenues from any customers to be connected to the Sewerage System who have paid the required connection charges;

(4) The revenue to be deposited in the Revenue Fund which is derived from any person, firm, corporation or municipal corporation under any executed contract for Sewerage System service, which revenue was not included in the historical Net Revenue of the Sewerage System; and

(5) The engineer's or accountant's estimate of the Net Revenue to be derived by the City from customers with improved property available to connect
to any additions to and improvements and extensions of the Sewerage System to be paid for out of the proceeds of the sale of the additional Future Parity Bonds or other additions to and improvements and extensions of the Sewerage System then under construction and not fully connected to the facilities of the Sewerage System when such additions, improvements and extensions are completed.

Actual or reasonably anticipated changes in the Operating and Maintenance Expenses subsequent to such twelve-month period shall be added or deducted, as is applicable.

The engineer's or accountant's certificate required by this subparagraph (f) in setting forth the estimate of ULID Assessments for ULID improvements being financed by the proposed Future Parity Bonds shall be computed in accordance with the following formula:

(i) The amount of the ULID Assessments paid within the 30-day period permitted by law for the payment of ULID Assessments without penalty or interest shall be applied in the year of payment, or, if that 30-day period has not elapsed, 15% of each total assessment roll shall be applied for the year in which it is anticipated such prepayment period will end as the estimated amount of the ULID Assessments that will be paid within such 30-day period.

(ii) 10% of the balance of each such assessment roll shall then be deducted for estimated nonpayment of ULID Assessments.

(iii) The balance remaining after the deductions provided in subparagraphs (i) and (ii) immediately above shall then be divided by the number of years in which installments of such ULID Assessments may be paid without becoming delinquent, and there shall be added to each year the interest that will be collected on such installments.

In computing the installments of ULID Assessments previously levied that will be collected each year, the following formula shall be used:

(i) All delinquent ULID Assessments or installments shall be deducted from each assessment roll.

(ii) The balance remaining after the deductions provided in subparagraph (i) immediately above shall then be divided by the number of years in which installments of such ULID Assessments may be paid without being delinquent and there shall be added to each year the interest that will be collected on such installments.
No engineer's or accountant's certificate provided for in this paragraph (f) shall be required in connection with the issuance of a ULID Assessment Bond issue if the amount of bonds proposed to be issued does not exceed the ULID Assessments levied in support of such ULID Assessment Bond issue by more than $5,000 plus any amount of the proceeds of such bonds deposited in the Reserve Account as capitalized reserve.

Nothing contained in the provisions for Future Parity Bonds shall prevent the City from issuing revenue bonds having a subordinate lien on the Gross Revenue of the Sewerage System or from pledging the payment of assessments in any ULID (the assessments in which are not pledged into the Bond Fund) into a bond redemption fund or account created to pay and secure the payment of the principal of and interest on such subordinate lien bonds as long as such assessments are levied to pay part or all of the cost of improvements being constructed out of the proceeds of the sale of such subordinate lien bonds.

Section 13. Priority of Payments. All ULID Assessments shall be paid into the Bond Fund as provided by Section 5. The Gross Revenue of the Sewerage System, except for earnings in the Bond Fund and funds other than the Revenue Fund, shall be credited to the Revenue Fund of the City as it is collected. Such Fund shall be held separate and apart from other funds and accounts of the City. Money in the Revenue Fund shall be used for the following purposes only and shall be applied in the following order of priority:

(a) To pay the necessary Operating and Maintenance Expenses;

(b) To make all required payments into the Principal and Interest Account in the Bond Fund for all bonds payable out of the Bond Fund, including all payments required to be made for the payment of any Term Bonds, including all sinking fund payments required to be made;

(c) To make all required payments into the Reserve Account and other accounts hereafter created in the Bond Fund into which the Net Revenue of the Sewerage System is to be deposited;
(d) To make all payments required to be made pursuant to a reimbursement agreement in connection with a Reserve Account Instrument, except that if there is not sufficient money to make all payments under reimbursement agreements the payments will be made on a pro rata basis;

(e) To make all required payments into the bond redemption funds or reserve account for any junior lien Sewerage System revenue bonds or short-term obligations hereafter issued;

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

(g) To retire by redemption or to purchase in the open market at a price not in excess of the redemption price on the then or next applicable call date outstanding Sewerage System revenue bonds or other revenue obligations of the City then outstanding.

The City may transfer from any funds or accounts of the City legally available therefor, except bond redemption funds, refunding escrow funds or defeasance funds, any money therein to meet the required payments to be made into the Bond Fund.

Section 14. Advance Refunding of Bonds. The City may issue advance refunding bonds pursuant to the laws of the State of Washington and use money available from any other lawful source to pay the principal of and interest on the Bonds, or such portion thereof included in a refunding or defeasance plan, as the same become due and payable and to redeem and retire, release or refund all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of such refunding or defeasance. In the event that money and/or Government Obligations, or other legal investments sufficient in amount, together with known earned income from the investments thereof, to redeem and retire, release or refund the defeased Bonds in accordance with their terms, are set aside irrevocably in a special fund for and pledged irrevocably to such redemption and retirement (hereinafter called the "trust account"), then
all right and interest of the owners of the defeased Bonds in
the covenants of this ordinance and, except as hereinafter
provided, in the Gross Revenue of the Sewerage System, ULID
Assessments, funds and accounts obligated to the payment of such
defeased Bonds, other than the right to receive the funds so set
aside and pledged, thereafter shall cease and become void. Such
owners thereafter 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 Revenue of the Sewerage System and ULID
Assessments without any priority of lien or charge against that
revenue, assessments 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 or
bonds then outstanding.

In the event that the refunding plan provides that the
defeased Bonds or the refunding bonds to be issued be secured by
cash and/or Government Obligations or other legal investments
pending the prior redemption of the defeased Bonds 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 the defeased 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 the Coverage Requirement for the issuance
of Future Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Section 15. Application of Proceeds of Bonds. Upon the issuance and delivery of the Bonds, the City Finance Director shall apply the proceeds of the Bonds to the following purposes: the accrued interest, if any, received on the sale of the Bonds shall be deposited in the Principal and Interest Account in the Bond Fund; the Reserve Requirement for the Bonds shall be deposited in the Reserve Account in the Bond Fund; and the remainder of the proceeds of the Bonds shall be deposited in the Drainage Construction Fund, 1985, created by Ordinance No. 2559 of the City, as amended, and shall be used to pay the costs of the Improvements and the issuance of the Bonds.

Section 16. Amendatory and Supplemental Ordinances.

16.1 Provisions Exclusive. This ordinance shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this section.

16.2 Amendments Without Consent of Bondowners. The City may from time to time, and at any time, without the consent of or notice to the registered owners of the Bonds, pass supplemental or amendatory ordinances as follows:

(a) To cure any formal defect, omission, inconsistency or ambiguity in this ordinance in a manner not adverse to the owner of any Bonds or Future Parity Bonds;

(b) To impose upon the Bond Registrar (with its consent) for the benefit of the registered owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this ordinance as theretofore in effect;
(c) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary or inconsistent with this ordinance as theretofore in effect;

(d) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this ordinance of any other money, securities or funds;

(e) To authorize different denominations of the Bonds and to make correlative amendments and modifications to this ordinance regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; and

(f) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the registered owners of the Bonds and which does not involve a change described in subsection 16.3 of this section.

(g) To maintain, because of change in federal law or rulings, the exemption of the interest on the Bonds from federal income taxation.

Before the City shall enact any such supplemental ordinance pursuant to this subsection, there shall have been delivered to the City and the Bond Registrar an opinion of bond counsel to the City, stating that such supplemental ordinance is authorized or permitted by this ordinance and will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.
16.3 Amendments With Consent of Bondowners.

(a) Except for any supplemental ordinance entered into pursuant to subsection 16.2 of this section, subject to the terms and provisions contained in this subsection 16.3 and not otherwise, registered owners of not less than 60% in aggregate principal amount of the Bonds then outstanding shall have the right from time to time to consent to and approve the passage by the City Council of any supplemental ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance; except, unless approved in writing by the registered owners of all the Bonds then outstanding, nothing contained in this section shall permit, or be construed as permitting:

(i) A change in the times, amounts or currency of payment of the principal of or interest on any outstanding Bond, or a reduction in the principal amount of redemption price of any outstanding Bond or a change in the method or redemption price of any outstanding Bond or a change in the method of determining the rate of interest thereon, or

(ii) A preference of priority of any Bond or Bonds or any other bond or bonds, or

(iii) A reduction in the aggregate principal amount of Bonds, the consent of the registered owners of Bonds of which is required for any such supplemental ordinance.

(b) If at any time the City shall enact any supplemental ordinance for any of the purposes of this subsection 16.3, the Bond Registrar shall cause notice of the proposed supplemental ordinance to be given by first-class United States mail to all registered owners of the then outstanding Bonds and to Moody's Investors Service, Inc., and Standard & Poor's Corporation, as the case may be. Such notice shall briefly set forth the nature of the proposed supplemental ordinance and shall state that a copy thereof is on file at the office of the
Bond Registrar for inspection by all registered owners of the outstanding bonds.

(c) Within two years after the date of the mailing of such notice, the City may enact such supplemental ordinance in substantially the form described in such notice, but only if there shall have first been delivered to the Bond Registrar (i) the required consents, in writing, of the registered owners of the Bonds, and (ii) an opinion of bond counsel to the City stating that such supplemental ordinance is authorized or permitted by this ordinance, and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.

(d) If registered owners of not less than the percentage of Bonds required by this subsection 16.3 shall have consented to and approved the execution and delivery thereof as herein provided, no owner of the Bonds shall have any right to object to the enactment of such supplemental ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the enactment thereof, or to enjoin or restrain the City or the Bond Registrar from enacting the same or from taking any action pursuant to the provisions thereof.

16.4 Effect of Amendments. Upon the execution and delivery of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all registered owners of Bonds then outstanding, shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such modifications and amendments.
Section 17. Sale of Bonds. Shearson Lehman Brothers Inc., Foster & Marshall Division, of Seattle, Washington, has presented a purchase contract dated October 20, 1986 (the "Purchase Contract"), to the City offering to purchase the Bonds under the terms and conditions provided in the Purchase Contract, which written Purchase Contract is on file with the City Clerk and is incorporated herein by this reference. The City Council, finding that it is in the best interest of the City to enter into the Purchase Contract, accepts the offer contained in the Purchase Contract.

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 has not been retained to and 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 except with respect to any description of 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 18. Temporary Bond. Pending the printing, execution and delivery to the purchaser of the definitive Bonds, the City may cause to be executed and delivered to such purchaser a single temporary Bond in the principal amount of the Bonds. Such temporary Bond shall bear the same date of issuance, interest rates, principal payment dates and terms and covenants as the definitive Bonds, and shall be issued as a
fully registered bond in the name of such purchaser, and shall be in such form as acceptable to such purchaser. Such temporary Bond shall be exchanged for the definitive Bonds as soon as the same are printed, executed and available for delivery.

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

DAN KELLEHER, MAYOR

ATTEST:

MARIE JENSEN, CITY CLERK

APPROVED AS TO FORM:

BILL H. WILLIAMSON, ACTING CITY ATTORNEY

PASSED the 20 day of Oct, 1986.

APPROVED the 21 day of Oct, 1986.

PUBLISHED the 14 day of Oct, 1986.

I hereby certify that this is a true and correct copy of Ordinance No. 2666, passed by the City Council of the City of Kent, Washington, and approved by the Mayor of the City of Kent as hereon indicated.

MARIE JENSEN, CITY CLERK

(Seal)

2524k
<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Valley Detention Basin</td>
<td>South of 216th Street and West of 64th Avenue</td>
<td>Investigate, evaluate and design a storm water detention facility and related appurtenances including control structures, outlet/inlet channels, etc. capable of providing 270-400 AC feet of storm water storage. Acquire the respective property and/or easements.</td>
</tr>
<tr>
<td>2. Garrison Creek Detention Basin</td>
<td>East of SR 167 and North of S. 218th Street</td>
<td>Investigate, evaluate and design a storm water detention facility and related appurtenances including control structures, outlet/inlet channels, etc. capable of providing approximately 100 AC feet of storm water storage. Acquire the respective property and/or easements.</td>
</tr>
<tr>
<td>3. Mill Creek Upper Detention Basin</td>
<td>South of 267th Street and East of 104th Avenue</td>
<td>Investigate, evaluate, design and construct a storm water detention facility and related appurtenances including control structures, outlet/inlet channels, etc. capable of providing approximately 60 AC feet of storm water storage. Acquire the respective property and/or easements and make modification to an existing detention basin located at Jason Avenue and SR 516.</td>
</tr>
<tr>
<td>4. Green River Levee Improvements</td>
<td>South 212th Street and Green River Bridge</td>
<td>Restore levee bank.</td>
</tr>
<tr>
<td>5. Miscellaneous Drainage Improvements and Major Equipment Purchases</td>
<td>Various locations throughout the drainage service area</td>
<td>Construct storm drain facility to relieve existing drainage problems attributed to lack of or inadequate existing facilities. Also purchase various pieces of equipment ranging from pickup to backhoe to IVAL truck.</td>
</tr>
<tr>
<td>6. Garrison Creek Erosion Control Basin</td>
<td>98th Ave. S. in the vicinity of S. 232nd Block</td>
<td>Investigate, evaluate and acquire the respective property and/or easements for the construction of a storm water detention facility and related appurtenances including control structures, outlet/inlet channels, etc., capable of providing approximately 24 AC feet of storm water storage.</td>
</tr>
</tbody>
</table>

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