CITY OF KENT, WASHINGTON

ORDINANCE NO. 88-17

AN ORDINANCE of the City of Kent, Washington, providing for the issuance of $5,285,000 principal amount of Golf Complex Revenue Bonds, 1988, of the City for the purpose of providing a portion of the funds to develop and construct an 18-hole municipal golf course, to capitalize interest on such bonds and to capitalize a reserve; fixing the date, form, maturities, interest rates, terms and covenants of such bonds; establishing a bond redemption fund and related accounts therein, an account in the revenue fund and a construction fund; and approving the sale and providing for the delivery of such bonds to Shearson Lehman Hutton Inc. of Seattle, Washington.

Passed July 19, 1988
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AN ORDINANCE of the City of Kent, Washington, providing for the issuance of $5,285,000 principal amount of Golf Complex Revenue Bonds, 1988, of the City for the purpose of providing a portion of the funds to develop and construct an 18-hole municipal golf course, to capitalize interest on such bonds and to capitalize a reserve; fixing the date, form, maturities, interest rates, terms and covenants of such bonds; establishing a bond redemption fund and related accounts therein, an account in the revenue fund and a construction fund; and approving the sale and providing for the delivery of such bonds to Shearson Lehman Hutton Inc. of Seattle, Washington.

WHEREAS, pursuant to the authority of RCW 67.20.010 to acquire and operate certain recreational facilities, the City Council of the City of Kent, Washington (the "City"), has determined that it is in the best interest of the City and the inhabitants thereof to develop and construct an 18-hole regulation municipal golf course, together with other recreational facilities related thereto; and

WHEREAS, the City Council has approved a project budget in the amount of $6,000,000 for the development and construction on property acquired by the City therefor of an 18-hole regulation municipal golf course and clubhouse and various improvements and betterments attendant thereto, of which approximately $5,250,000 is expected to be paid from the proceeds of revenue bonds and the balance thereof provided by other money of the City legally available therefor; and

WHEREAS, the City Council has determined to finance a portion of the cost of developing and constructing such golf course by the issuance and sale of $5,285,000 par value of golf complex revenue bonds, and Shearson Lehman Hutton Inc. 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 interest plus all principal (except principal of Term Bonds due in any Term Bond Maturity Year) due in that year, and plus all mandatory redemption or sinking fund requirements for Term Bonds due in that year, less all bond interest payable from the proceeds of any such Bonds or Future Parity Bonds in that year.

"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 Golf Complex Revenue Bond Fund, 1988, created by Section 8 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 $5,285,000 principal amount of Golf Complex Revenue Bonds, 1988, authorized by this ordinance to be issued, sold and delivered.

"City" shall mean the City of Kent, Washington, a duly organized and legally existing non-charter code city under the laws of the State of Washington.

"Code" shall mean the United States Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.
"Construction Fund" shall mean the Golf Complex Construction Fund, 1988, created by Section 19 of this ordinance.

"Coverage Requirement" shall mean, in any calendar year, Net Revenue of the Golf Complex at least equal to the Annual Debt Service for that year on all outstanding Bonds and Future Parity Bonds, less investment earnings in the Reserve Account after the period of construction of the 18-hole regulation municipal golf course and if the Reserve Account is fully funded, times 1.35.

"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 15 of this ordinance, the payment of the principal of and interest on which constitutes a lien and charge upon the Gross Revenue of the Golf Complex on a parity with the lien and charge of the Bonds.

"Golf Complex" shall mean the City's existing 9-hole, par 3 golf course, driving range and mini-putt course, the 18-hole regulation municipal golf course to be constructed with Bond proceeds and other City funds, all golf related buildings, facilities and equipment, and any other golf recreational facilities which hereafter may be acquired, constructed or combined lawfully with the existing facilities, together with all additions thereto and betterments and extensions thereof at any time made or constructed.

"Government Obligations" shall mean direct obligations of the United States of America.

"Gross Revenue of the Golf Complex" or "Gross Revenue" shall mean all the earnings and revenue received by the Golf Complex from any source whatsoever, except general ad valorem taxes, grants from state, federal or local governments, earnings in any refunded or defeased bond escrow account or fund, earnings rebatable or estimated to be rebatable to the federal
government under Section 148(f) of the Code, gifts to the Golf Complex for capital purposes, proceeds from the sale of City property, and original proceeds of City or Golf Complex obligations.

"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 Golf Complex" or "Net Revenue" shall mean Gross Revenue of the Golf Complex less that part of Gross Revenue spent on the Operating and Maintenance Expenses for the year of calculation.

"Operating and Maintenance Expenses" shall mean all reasonable expenses incurred by the City in causing the Golf Complex 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 Golf Complex, any State- or City-imposed taxes or payments in lieu of taxes, but excluding depreciation and amortization.

"Permitted Investments" shall mean any legal investments permitted by law to the City.

"Principal and Interest Account" shall mean the account of that name created in the Bond Fund by Section 8 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 8 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, to satisfy all or part of the Reserve Requirement in lieu of cash or investments.

"Reserve Requirement" shall mean:

(1) For the Bonds, $528,500 from the proceeds of the Bonds, which amount does not exceed the least of (a) 10% of the par value of the Bonds, (b) Maximum Annual Debt Service on the Bonds calculated as of the date of delivery of the Bonds or (c) 125% of the Average Annual Debt Service on the Bonds calculated as of the date of delivery of the Bonds; and

(2) For any issue of Future Parity Bonds, an amount which, together with the balance in the Reserve Account, does not exceed the least of (a) 10% of the par value of the Bonds, any then outstanding Future Parity Bonds and such issue of Future Parity Bonds, (b) Maximum Annual Debt Service on the Bonds, any then outstanding Future Parity Bonds and such issue of Future Parity Bonds as of the calculation date or (c) 125% of the Average Annual Debt Service on the Bonds, any then outstanding Future Parity Bonds and such issue of Future Parity Bonds as of the calculation date.

(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 the Bonds or 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 the Bonds or such Future Parity Bonds. The amount payable under any Reserve Account Instrument shall satisfy that amount of the Reserve Requirement for the Bonds or such an issue of 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 Golf Course Enterprise Fund created by Ordinance No. 2279 of the City, as amended.

"Tax Revenue Account" shall mean the account of that name created in the Revenue Fund by Section 16 of this ordinance.

"Term Bond Maturity Year" shall mean any year in which Term Bonds are scheduled to mature.
"Term Bonds" shall mean the Bonds maturing in 2008 and any Future Parity Bonds of any single issue or series designated as Term Bonds in the ordinance authorizing their issuance or sale.

Section 2. Authorization and Description of Bonds. For the purpose of providing a part of the funds required to develop and construct on property acquired by the City therefor an 18-hole regulation municipal golf course and clubhouse and various improvements and betterments attendant thereto, to pay the costs of issuance and sale of the Bonds, to capitalize a reserve for the Bonds, to capitalize interest on the Bonds through February 1, 1989, during a portion of the period of construction, which period is estimated to be 10 months, the City shall issue the Bonds in the aggregate principal amount of $5,285,000. The Bonds shall be designated Golf Complex Revenue Bonds, 1988; shall be dated August 1, 1988; shall be in the denomination 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 purposes 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 December 1, 1988, and semi-annually thereafter on each succeeding June 1 and December 1, 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>1990</td>
<td>$135,000</td>
<td>6.20%</td>
</tr>
<tr>
<td>1991</td>
<td>145,000</td>
<td>6.40</td>
</tr>
<tr>
<td>1992</td>
<td>155,000</td>
<td>6.60</td>
</tr>
<tr>
<td>1993</td>
<td>165,000</td>
<td>6.80</td>
</tr>
<tr>
<td>1994</td>
<td>175,000</td>
<td>7.00</td>
</tr>
<tr>
<td>1995</td>
<td>185,000</td>
<td>7.20</td>
</tr>
<tr>
<td>1996</td>
<td>200,000</td>
<td>7.45</td>
</tr>
<tr>
<td>1997</td>
<td>215,000</td>
<td>7.70</td>
</tr>
<tr>
<td>1998</td>
<td>235,000</td>
<td>7.85</td>
</tr>
<tr>
<td>1999</td>
<td>250,000</td>
<td>8.00</td>
</tr>
<tr>
<td>2000</td>
<td>270,000</td>
<td>8.00</td>
</tr>
<tr>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>2008</td>
<td>3,155,000</td>
<td>8.40</td>
</tr>
</tbody>
</table>
The life of the capital facilities to be constructed with the proceeds of the Bonds exceeds twenty-one years.

Section 3. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and recorded on books or 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 each of the Bonds held by each owner.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds of an equal aggregate principal amount in any authorized denomination 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. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the fifteen days preceding any principal payment or redemption date.

Section 4. Payment of Bonds. 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 checks or drafts mailed on the interest payment date 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, if requested in writing by a registered owner of $100,000 or more in principal amount of Bonds at least ten days before an interest payment date, by wire transfer on the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either of the principal offices of the Bond Registrar at the option of the owners.
Section 5. Optional Redemption, Mandatory Redemption and Open Market Purchase of Bonds. Bonds maturing in the years 1990 through 1998, inclusive, shall be issued without the right or option of the City to redeem those Bonds prior to their stated maturity dates. The City reserves the right and option to redeem Bonds maturing on or after December 1, 1999, prior to their stated maturity dates, 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, 1998, or on any interest payment date thereafter, at the following prices stated as a percentage of par, plus accrued interest to the date fixed for redemption:

<table>
<thead>
<tr>
<th>Call Date</th>
<th>Call Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 1, 1998, and June 1, 1999</td>
<td>102%</td>
</tr>
<tr>
<td>December 1, 1999, and June 1, 2000</td>
<td>101%</td>
</tr>
<tr>
<td>December 1, 2000, and thereafter</td>
<td>100% (par)</td>
</tr>
</tbody>
</table>

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 par plus accrued interest to the date of purchase.

The Bonds maturing in the year 2008 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 annually shall set aside and pay into the Principal and Interest Account money sufficient to redeem Term Bonds on December 1 in the following years and in the following amounts:

<table>
<thead>
<tr>
<th>Mandatory Redemption Date</th>
<th>Redemption and Mandatory Sinking Fund Amount</th>
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</thead>
<tbody>
<tr>
<td>2001</td>
<td>$290,000</td>
</tr>
<tr>
<td>2002</td>
<td>315,000</td>
</tr>
<tr>
<td>2003</td>
<td>345,000</td>
</tr>
<tr>
<td>2004</td>
<td>370,000</td>
</tr>
<tr>
<td>2005</td>
<td>405,000</td>
</tr>
<tr>
<td>2006</td>
<td>440,000</td>
</tr>
</tbody>
</table>
Mandatory Redemption Date

<table>
<thead>
<tr>
<th>Year</th>
<th>Redemption and Mandatory Sinking Fund Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$475,000</td>
</tr>
<tr>
<td>2008</td>
<td>$515,000</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 thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at either of the principal offices 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 the same maturity and interest rate in any of the denominations authorized by this ordinance in the aggregate total principal amount remaining unredeemed.

All Bonds purchased or redeemed under this section shall be cancelled.

Section 6. Notice of Redemption. The City shall cause notice of any intended redemption of Bonds to 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 at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the 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, to Shearson Lehman Hutton Inc. at its principal office in Seattle, Washington, or its successor, and to such other persons, including registered securities depositories, and with such additional information as the City Finance Director shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

Section 7. Failure to Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the registered owner of that unpaid Bond.

Section 8. Bond Fund. There is created and established in the office of the City Finance Director a special fund of the City to be designated as the Golf Complex Revenue Bond Fund, 1988 (herein defined as the "Bond Fund"), which fund is divided into two accounts, namely, a Principal and Interest 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, out of the Gross Revenue of the Golf Complex, certain fixed amounts without regard to any fixed proportion, namely:

(a) Into the Principal and Interest Account, on or before the last business day of each month, beginning with the month of August, 1988, an amount which, together with other money on deposit therein, will equal 1/5 of the amount of interest to become due and payable on the Bonds on the first interest payment date, and, thereafter, beginning with the month of December, 1988, an amount which, together with other money on deposit therein, will equal 1/6 of the amount of interest to become due and payable on the Bonds on the next interest payment date, and
beginning with the month of December 1989, an amount which, together with other money on deposit therein, will equal 1/12 of the amount of principal to become due and payable on the next principal payment or mandatory redemption date until the Bonds, both principal and interest, are paid in full; and

(b) Into the Reserve Account, from the proceeds of the Bonds, an amount necessary to fund fully 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.

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, so long as any of the Bonds are outstanding. When the total amount in the Bond Fund shall equal the total amount of principal and interest for all outstanding Bonds and Future Parity 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. Any deficiency created in the Reserve Account by reason of any such withdrawals shall then be made up from the Gross Revenue of the Golf Complex 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, except that it may be applied against the last outstanding Bonds or Future Parity 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 requirements for amounts on deposit in those accounts for the remaining bonds outstanding payable from the Bond Fund.

All money in the Bond Fund may be kept in cash or invested in Permitted Investments. Permitted Investments in the Principal and Interest Account shall not mature later than the date when the funds are required for the payment of principal or interest on the outstanding bonds payable from the Bond Fund. Permitted Investments in the Reserve Account shall not mature later than the last maturity of any remaining outstanding bonds payable from the Bond Fund. During the period of construction of the 18-hole regulation municipal golf course, income from investments in the Principal and Interest Account and the Reserve Account shall be deposited in the Construction Fund. Thereafter, income from investments in the Principal and Interest Account shall be deposited in that account, and income from investments in the Reserve Account shall be deposited in that account until the amount in the Reserve Account 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 Code.

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 Requirements for all outstanding Bonds and Future Parity Bonds. The City covenants that any such substitution will be subject to the prior written approval by any provider of bond insurance for any then outstanding Future Parity Bonds and to the prior written assurance by Moody's Investors Service, Inc., and Standard & Poor's Corporation that such substitution will not result in any change in the outstanding ratings, if any, of the Bonds and any Future Parity Bonds.

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 an action against the City and compel the setting aside and payment.

Section 9. Pledge of Gross Revenue. The Gross Revenue of the Golf Complex is pledged irrevocably to the payments of the Bonds and any Future Parity Bonds, and the Bonds and Future Parity Bonds, if any, shall constitute a charge or lien upon such Gross Revenue prior and superior to any other charges whatsoever.

Section 10. Sufficiency of Gross Revenue; Due Regard Finding. Payments out of the Revenue Fund to the Bond Fund, as set forth above, shall be a first charge upon the Gross Revenue of the Golf Complex and such Revenue Fund. The Golf Complex shall operate as a part of the City's Parks and Recreation Department and, in the event that money in the Tax Revenue Account and the Gross Revenue of the Golf Complex (after payment
of Annual Debt Service for the Bonds and any Future Parity Bonds) is insufficient to pay the Operating and Maintenance Expenses, money budgeted or available to the Parks and Recreation Department from sources other than the Tax Revenue Account and Gross Revenue of the Golf Complex shall be used to make up any deficiency in the payment of the Operating and Maintenance Expenses.

The City Council declares and finds that in fixing the amounts to be paid into the Bond Fund as described above it has exercised due regard for Operating and Maintenance Expenses and has not obligated the City to set aside and pay into the Bond Fund a greater amount of the Gross Revenue of the Golf Complex than in its judgment will be available over and above such Operating and Maintenance Expenses.

Section 11. Form and Execution 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, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in the following form, manually signed 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, Golf Complex Revenue Bonds, 1988, described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By __________________________
Authorized Officer

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

If any officer whose facsimile signature appears on the Bonds ceases to be an officer of the City authorized to sign bonds before the Bonds bearing his or her facsimile signature are authenticated or delivered by the Bond Registrar or issued by the City, those Bonds nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 12. Bond Registrar. 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 be open to inspection by the City at all times. 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 depository 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 14. Covenants. The City covenants and agrees with the owner of each Bond at any time outstanding as follows:

14.1 Rates and Charges. The City shall establish, maintain and collect such rates and charges for the use of the Golf Complex as will make available money sufficient for the prompt payment of the principal of and interest on the Bonds and any Future Parity Bonds. It shall adjust such rates and charges from time to time so that it will meet the Coverage Requirement.

14.2 Good Repair and Maintenance. It will at all times maintain and keep the Golf Complex and all additions thereto and betterments and extensions thereof in good repair, working order and condition and also will at all times operate the Golf Complex and the business in connection therewith in an efficient manner and at a reasonable cost.

14.3 Operating and Maintenance Expenses. It will provide for Operating and Maintenance Expenses from the following sources of funds: (a) proceeds of taxes deposited in the Tax Revenue Account, (b) Gross Revenue available after deposits of money in the Bond Fund as required by this ordinance, and (c) other money lawfully available therefor. If sufficient amounts are not available from the proceeds of taxes in the Tax Revenue Account and from Gross Revenue, available after Bond Fund Deposits, to provide for Operating and Maintenance Expenses, the
City shall budget and transfer from any lawful source money sufficient to provide for those Operating and Maintenance Expenses.

14.4 Limitation on Sale of Property. It will not sell, lease, mortgage, or in any manner encumber or dispose of all of its title to the Golf Complex unless provision is made for payment into the Bond Fund or a defeasance account of an amount sufficient to pay the principal of and interest on all Bonds and Future Parity Bonds at that time outstanding or to defease such Bonds to their maturity or earlier call date under Section 18 of this ordinance, nor will it sell, lease, mortgage, or in any manner encumber or dispose of any part of the Golf Complex that is used, useful and material to the operation of the Golf Complex unless provision is made for replacement thereof or for payment into the Bond Fund of an amount which shall bear the same ratio to the amount of the outstanding bonds payable from the Bond Fund as the revenue available for debt service on those bonds for the twelve months preceding such sale, lease, encumbrance or disposal from the portion of the Golf Complex so sold, leased, encumbered or disposed of bears to the revenue available for debt service for those bonds from the entire Golf Complex for the same period. Any such money so paid into the Bond Fund or defeasance account shall be used to retire or defease outstanding bonds payable therefrom at their maturity or earliest possible call date.

14.5 Accounts and Records. It will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Golf Complex and it will furnish to the owner or owners of any outstanding Bonds or Future Parity Bonds, at the written request of such owner or owners, complete operating and income statements of the Golf Complex in reasonable detail covering any
calendar year not more than 180 days after the close of such calendar year. It will grant any owner or owners of at least 25% of the outstanding Bonds and Future Parity Bonds the right at all reasonable times to inspect the Golf Complex and all records, accounts and data of the City relating thereto. Upon the request of any owner of any of the Bonds or Future Parity 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.

14.6 Self-Insurance and Insurance. It will at all times either 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, keep the Golf Complex and the operations thereof insured, with policies payable to the City, against the risks of direct physical loss, damage to or destruction of the Golf Complex or any part thereof, and against accidents, casualties and negligence, at least to the extent that similar insurance is carried by privately-owned golf facilities. The cost of such self-insurance and the premiums on such insurance policies are declared to be a normal part of Operating and Maintenance Expenses.

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

14.8 Preservation of Tax Exemption for Interest on Bonds. It will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor
make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that, if all gross proceeds of the Bonds have not been spent within six months after the date of issuance of the Bonds, it will calculate, or cause to be calculated, and rebate to the United States all earnings from the investment of gross proceeds of the Bonds that are in excess of the amount that would have been earned had the yield on those investments been equal to the yield on the Bonds, plus all income derived from those excess earnings, to the extent and in the manner required by Section 148 of the Code and applicable regulations.

If the City fails to meet rebate requirements applicable to the Bonds under Section 148 of the Code, the City covenants that, to the extent permitted by that Section, it will pay the penalty provided in Subsection 148(f)(7)(C) if required to prevent interest on the Bonds from being included in gross income for federal income tax purposes. The City certifies that 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 15. 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 Principal and Interest Account and the Reserve Account shall be fully funded at the Reserve Requirement for the Bonds and Future Parity Bonds then outstanding.

(b) 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.

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

(d) 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, or shall provide for the deposit of an amount equal to the Reserve Requirement for those Future Parity Bonds from money in the Reserve Account in excess of the Reserve Requirement of all bonds then payable from the Bond Fund and from the Gross Revenue of the Golf Complex within five years of issuance of those Future Parity Bonds in approximately equal monthly payments, or shall provide a Reserve Account Instrument which, together with any Future Parity Bond proceeds deposited in the Reserve Account, at least equals the Reserve Requirement. 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 refunded bonds may be used to retire outstanding Bonds or outstanding Future Parity Bonds pursuant to the refunding plan, or may be retained and used as a reserve for such refunding Future Parity Bonds, or may remain in the Reserve Account to be used as the reserve for any other remaining bonds payable from the Bond Fund.

(e) At the time of the issuance of such Future Parity Bonds, the City shall have on file either (i) a certificate from the City Finance Director or someone acting on his or her behalf showing that the Net Revenue of the Golf Complex for any twelve consecutive calendar months out of the twenty-four calendar months immediately preceding the month of the delivery of the Future Parity Bonds was at least equal to the Coverage Requirement for the then outstanding Bonds and Future Parity Bonds and the Future Parity Bonds then proposed to be issued, or (ii) a certificate from an independent certified public accountant stating that in his or her professional opinion the estimated Net Revenue of the Golf Complex in any year in which Bonds or Future Parity Bonds will be outstanding will be at least equal to the Coverage Requirement.

In estimating the Net Revenue of the Golf Complex available for debt service under clause (ii) above, the accountant's certificate shall use the historical Net Revenue of the Golf Complex as set forth in clause (i) above. Such historical Net Revenue shall not include the proceeds from the sale of City property, but 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) 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 Golf Complex service, which revenue was not included in the historical Net Revenue of the Golf Complex;

(3) The accountant's estimate of any increase or decrease in Operating and Maintenance Expenses resulting from the construction and operation of any improvement to the Golf Complex to be paid for out of the proceeds of the sale of the additional Future Parity Bonds when such improvements are completed;

(4) The accountant's estimate of any increase or decrease in Operating and Maintenance Expenses caused by a material change in the operation of or services provided by the Golf Complex that have resulted from or will result from the provisions of an enacted law or ordinance, court order or executed contract; and

(5) The accountant's estimate of the revenue to be derived by the City from the operation of any improvements to the Golf Complex then under construction but not completed, or improvements to be paid for out of the proceeds of the additional Future Parity Bonds when such improvements are completed.

If, however, the Future Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding bonds payable from the Bond Fund, no certification of coverage shall be required if the Annual Debt Service for the refunding bonds is not increased in each year by more than $5,000 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.

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 Golf Complex.

Section 16. Tax Revenue Account. There is created in the Revenue Fund a special account to be designated as the Tax Revenue Account, into which account shall be deposited any money received from the City from the budgeted proceeds of taxes and deposited in the Revenue Fund. Money in the Tax Revenue Account
shall be spent for the payment of Operating and Maintenance Expenses, and shall not be spent for debt service on revenue obligations of the City payable from a special fund or for any costs or expenses related to the issuance or payment of the principal of or interest on such bonds.

Section 17. Priority of Payments. The Gross Revenue of the Golf Complex, except for earnings in the Bond Fund, shall be credited to the Revenue Fund of the City as it is collected. The Revenue Fund shall be held separate and apart from other funds and accounts of the City. Money in the Revenue Fund, other than money in the Tax Revenue Account, shall be used for the following purposes only and shall be applied in the following order of priority:

(a) 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 required sinking fund payment of any Term Bonds;

(b) To make all required payments into the Reserve Account;

(c) Together with money in the Tax Revenue Account, to pay the necessary Operating and Maintenance Expenses;

(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 accounts for any junior lien Golf Complex revenue bonds or short-term obligations hereafter issued; and

(f) To make necessary additions, improvements and repairs to or betterments, extensions and replacements of the Golf Complex, 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 of outstanding Golf Complex revenue bonds of the City, or for any other proper Golf Complex purposes for which such money may be lawfully used.
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 except tax revenues to meet the required payments to be made into the Bond Fund.

Section 18. Advance Refunding or Defeasance 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 when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, 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 money and/or Government Obligations 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 trust 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 Golf Complex and in the 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.

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 or defeasance 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 redemption at or prior to the maturity of the defeased Bonds, and if such refunding or defeasance plan also provides that certain cash and/or Government Obligations or other legal investments are pledged irrevocably for the redemption at or prior to the maturity of the defeased Bonds included in that refunding or defeasance 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 19. Construction Fund; Application of Proceeds of Bonds. There is created and established in the office of the City Finance Director a special fund to be designated as the Golf Complex Construction Fund, 1988 (the "Construction Fund").

Upon the issuance and delivery of the Bonds, the City Finance Director shall apply the proceeds of the Bonds to the following purposes: (a) 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; (b) $201,236.42 of Bond proceeds shall be deposited in the Principal and Interest Account in the Bond Fund as capitalized interest on the Bonds; (c) the Reserve Requirement for the Bonds shall be deposited in the Reserve Account in the Bond Fund; and (d) the remainder of the proceeds of the Bonds shall be deposited in the Construction Fund and shall be used to repay interfund loans made from other
funds of the City to pay a part of the costs of developing and constructing the golf course as set forth in Section 2 of this ordinance and to pay the costs of issuance and sale of the Bonds.

If any proceeds of the Bonds remain after substantial completion of the purposes described in Section 2 of this ordinance, or if the City Council determines that changed conditions have rendered the purposes of this ordinance impractical to complete at reasonable cost, the City may use money remaining in the Construction Fund to pay all or part of the cost of carrying out any additional system or plan of additions to and betterments and extensions of the Golf Complex, or the City may deposit such remaining money in the Principal and Interest Account or the Reserve Account for the purposes of those accounts.

Section 20. Amendatory and Supplemental Ordinances.

20.1 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 20.

20.2 Amendments Without Consent of Bondowners. The City may from time to time, and at any time, without the consent of or notice to the 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 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;

(f) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the owners of the Bonds and which does not involve a change described in Subsection 20.3 of this section; and

(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 nationally recognized 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.

20.3 Amendments With Consent of Bondowners.

(a) Except for any supplemental ordinance entered into pursuant to Subsection 20.2 of this section, owners of not less than 60% in aggregate principal amount of the Bonds then outstanding shall have the right from time to time, subject to the terms and provisions contained in this Subsection 20.3 and not otherwise, 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 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 or redemption price of any outstanding Bond, 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 or priority of any Bond or Bonds over any other Bond or Bonds, or

(iii) A reduction in the aggregate principal amount of Bonds for which the consent of the owners of Bonds 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 20.3, the Bond Registrar shall cause notice of the proposed supplemental ordinance to be given by first-class United States mail to all owners of the then outstanding Bonds, to Moody's Investors Service, Inc., and Standard & Poor's Corporation and to Shearson Lehman Hutton Inc. 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 owners
of the Bonds, and (ii) an opinion of nationally recognized bond
counsel to the City stating that such supplemental ordinance is
authorized or permitted by this ordinance, and, upon the execu-
tion and delivery thereof, will be valid and binding upon the
City in accordance with its terms and will not adversely affect
the exclusion from gross income for federal income tax purposes
of the interest on the Bonds.

(d) If registered owners of not less than the
percentage of Bonds required by this Subsection 20.3 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 propri-
ety 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.

20.4 Effect of Amendments. Upon the execution and
delivery of any supplemental ordinance pursuant to the provi-
sions of this Section 20, 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 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 21. Sale of Bonds. Shearson Lehman Hutton Inc. of
Seattle, Washington, has presented a purchase contract dated
July 19, 1988 (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 finds that entering into the Purchase Contract is in the City's best interest and therefore accepts the offer contained therein and authorizes its execution by City officials.

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 Foster Pepper & Shefelman, municipal bond counsel of Seattle, Washington, relative to the issuance of the Bonds, printed on each Bond. Except for those sections of the final official statement captioned "Authorization," "Security," "Tax Exemption" and "Certain Other Federal Tax Consequences," bond counsel shall not be required to review and shall express no 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 (including authorizing and approving the official statement or offering circular used in connection with the Bonds) 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 22. 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 total principal amount of the Bonds. The temporary Bond shall bear the same date of issuance, interest rates, principal payment dates and terms and covenants as the definitive Bonds, shall be issued as a fully registered bond in the name of the purchaser, and shall be in such form as is acceptable to the purchaser. The temporary Bond shall be
exchanged for definitive Bonds as soon as they are printed, executed and available for delivery.

Section 23. 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:

SANDRA DRISCOLL
CITY ATTORNEY

PASSED the 1st day of July, 1988.
APPROVED the 30th day of July, 1988.
PUBLISHED the 24th day of July, 1988.

I hereby certify that this is a true and correct copy of Ordinance No. 2710, 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)