AN ORDINANCE of the City of Kent, Washington, relating to contracting indebtedness; providing for the issuance of $22,565,000 par value of Limited Tax General Obligation Bonds, 1996, Series A (Tax-Exempt), and $3,680,000 par value of Limited Tax General Obligation Bonds, 1996, Series B (Taxable), of the City for general City purposes to provide funds with which to pay a part of the cost of acquiring the Centennial Building, acquiring land for City parks, improving certain streets, improving the City’s Drainage Utility and paying the costs of issuance and sale of the bonds; fixing the date, form, maturities, interest rates, terms and covenants of the bonds; establishing certain funds; providing for bond insurance; and approving the sale and providing for the delivery of the bonds to Lehman Brothers Inc. of Seattle, Washington.

PASSED June 18, 1996

This document prepared by:

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AN ORDINANCE of the City of Kent, Washington, relating to contracting indebtedness; providing for the issuance of $22,565,000 par value of Limited Tax General Obligation Bonds, 1996, Series A (Tax-Exempt), and $3,680,000 par value of Limited Tax General Obligation Bonds, 1996, Series B (Taxable), of the City for general City purposes to provide funds with which to pay a part of the cost of acquiring the Centennial Building, acquiring land for City parks, improving certain streets, improving the City’s Drainage Utility and paying the costs of issuance and sale of the bonds; fixing the date, form, maturities, interest rates, terms and covenants of the bonds; establishing certain funds; providing for bond insurance; and approving the sale and providing for the delivery of the bonds to Lehman Brothers Inc. of Seattle, Washington.

WHEREAS, the City of Kent, Washington (the "City"), is in need of (1) acquiring the Centennial Building; (2) acquiring land for parks; (3) improving certain streets; and (4) making capital improvements to the City’s Drainage Utility (collectively, the "Project"), the estimated cost of which is $25,517,693 (excluding bond-associated issuance costs), and the City does not have available sufficient funds to pay the cost; and

WHEREAS, the City Council deems it to be in the best interests of the City to issue and sell $26,245,000 par value of limited tax general obligation bonds (the "Bonds") to pay part of the cost of the Project and to pay the costs of issuance and sale of the Bonds; and

WHEREAS, the MBIA Insurance Corporation of Armonk, New York ("Bond Insurer"), has made a commitment to issue an insurance policy (the "Municipal Bond Insurance Policy") insuring the payment when due of the principal of and interest on the Bonds as provided
therein, and the City Council deems that the purchase of the Municipal Bond Insurance Policy is in the best interest of the City; and

WHEREAS, Lehman Brothers Inc. of Seattle, Washington, has offered to purchase the Bonds authorized herein under the terms and conditions hereinafter set forth in the form of a purchase contract; NOW, THEREFORE,

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

Section 1. Debt Capacity. The assessed valuation of the taxable property within the City as ascertained by the last preceding assessment for City purposes for the calendar year 1996 is $4,128,403,430, and the City has outstanding general indebtedness evidenced by limited tax general obligation bonds, leases and conditional sales contracts in the principal amount of $19,466,327 incurred within the limit of up to 1-1/2% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein, unlimited tax general obligation bonds in the principal amount of $15,780,000 incurred within the limit of up to 2-1/2% of the value of the taxable property within the City for capital purposes only, issued pursuant to a vote of the qualified voters of the City, and the amount of indebtedness for which bonds are authorized herein to be issued is $26,245,000.

Section 2. Authorization of Bonds. The City shall borrow money on the credit of the City and issue negotiable limited tax general obligation bonds evidencing that indebtedness in the amount
of $26,245,000 for general City purposes to provide the funds to pay part of the cost of (1) acquiring the Centennial Building; (2) acquiring land for parks; (3) improving certain streets; and (4) making capital improvements to the City’s Drainage Utility (collectively, the "Project") and to pay the costs of issuance and sale of the bonds (the "costs of issuance"). The general indebtedness to be incurred shall be within the limit of up to 1-1/2% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein.

Section 3. Description of Bonds. The bonds shall be in the aggregate principal amount of $26,245,000; shall be designated Limited Tax General Obligation Bonds, 1996, Series A (Tax-Exempt) (the "Series A Bonds"), and Limited Tax General Obligation Bonds, 1996, Series B (Taxable) (the "Series B Bonds"), (collectively, the "Bonds"), of which $22,565,000 shall be Series A Bonds and $3,680,000 shall be Series B Bonds; shall be dated June 15, 1996; 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 (collectively, the fiscal agencies of the State of Washington located in Seattle, Washington, and New York, New York) deems necessary for purposes of identification; and shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on each June 1 and December 1, commencing December 1, 1996, to the maturity or earlier redemption of the Bonds.
The Series A Bonds shall mature on December 1 in years and amounts and bear interest at the rates per annum as follows:

<table>
<thead>
<tr>
<th>Maturity Years</th>
<th>Amounts</th>
<th>Interest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$ 780,000</td>
<td>5.10%</td>
</tr>
<tr>
<td>2004</td>
<td>820,000</td>
<td>5.20</td>
</tr>
<tr>
<td>2005</td>
<td>870,000</td>
<td>5.30</td>
</tr>
<tr>
<td>2006</td>
<td>910,000</td>
<td>5.40</td>
</tr>
<tr>
<td>2007</td>
<td>965,000</td>
<td>5.50</td>
</tr>
<tr>
<td>2008</td>
<td>1,015,000</td>
<td>5.60</td>
</tr>
<tr>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>2016</td>
<td>10,575,000</td>
<td>6.00</td>
</tr>
<tr>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>2026</td>
<td>6,630,000</td>
<td>5.75</td>
</tr>
</tbody>
</table>

The Series B Bonds shall mature on December 1, 2002, and shall bear interest at the rate of 7.13% per annum.

It is the intention of the City that the interest on the Series B Bonds shall be included in gross income for federal income tax purposes.

The life of the Project to be acquired or constructed with the proceeds of the Bonds exceeds the term of the Bonds.

Section 4. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be 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 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. 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 15 days preceding any principal payment or redemption date.

Section 5. 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 of the Bond Registrar mailed on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month 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 of the principal offices of the Bond Registrar at the option of the owners.

Section 6. Redemption Provisions and Open Market Purchase of Bonds.

Optional Redemption. Series A Bonds maturing in the years 2003 through 2007, inclusive, shall be issued without the right or option of the City to redeem those Series A Bonds prior to their stated maturity dates. The City reserves the right and option to redeem Series A Bonds maturing on or after December 1, 2008, prior to their stated maturity dates at any time on or after December 1, 2007, as a whole or in part within one or more maturities selected by the City (and by lot within a maturity in such manner as the Bond Registrar shall determine), at the
following prices (expressed as a percentage of par) plus accrued interest to the date fixed for redemption:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 1, 2007, through November 30, 2008</td>
<td>101%</td>
</tr>
<tr>
<td>December 1, 2008, and thereafter</td>
<td>100%</td>
</tr>
</tbody>
</table>

The Series B Bonds shall be issued without the right or option of the City to redeem the Series B Bonds prior to their stated maturity dates.

**Mandatory Redemption.** Series A Bonds maturing in 2016 and 2026 are Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be called for redemption by lot (in such manner as the Bond Registrar shall determine) at par plus accrued interest on December 1 in years and amounts as follows:

**2016 Series A Term Bonds**

<table>
<thead>
<tr>
<th>Mandatory Redemption Years</th>
<th>Mandatory Redemption Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1,075,000</td>
</tr>
<tr>
<td>2010</td>
<td>1,135,000</td>
</tr>
<tr>
<td>2011</td>
<td>1,205,000</td>
</tr>
<tr>
<td>2012</td>
<td>1,270,000</td>
</tr>
<tr>
<td>2013</td>
<td>1,345,000</td>
</tr>
<tr>
<td>2014</td>
<td>1,425,000</td>
</tr>
<tr>
<td>2015</td>
<td>1,515,000</td>
</tr>
<tr>
<td>2016 (maturity)</td>
<td>1,605,000</td>
</tr>
</tbody>
</table>
### 2026 Series A Term Bonds

<table>
<thead>
<tr>
<th>Mandatory Redemption Years</th>
<th>Mandatory Redemption Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$510,000</td>
</tr>
<tr>
<td>2018</td>
<td>540,000</td>
</tr>
<tr>
<td>2019</td>
<td>570,000</td>
</tr>
<tr>
<td>2020</td>
<td>600,000</td>
</tr>
<tr>
<td>2021</td>
<td>635,000</td>
</tr>
<tr>
<td>2022</td>
<td>675,000</td>
</tr>
<tr>
<td>2023</td>
<td>710,000</td>
</tr>
<tr>
<td>2024</td>
<td>755,000</td>
</tr>
<tr>
<td>2025</td>
<td>795,000</td>
</tr>
<tr>
<td>2026 (maturity)</td>
<td>840,000</td>
</tr>
</tbody>
</table>

The Series B Bonds are Term Bonds and, if not purchased in the open market under the provisions set forth below, shall be called for redemption by lot (in such manner as the Bond Registrar shall determine) at par plus accrued interest on December 1 in years and amounts as follows:

### Series B Term Bonds

<table>
<thead>
<tr>
<th>Mandatory Redemption Years</th>
<th>Mandatory Redemption Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$500,000</td>
</tr>
<tr>
<td>1998</td>
<td>550,000</td>
</tr>
<tr>
<td>1999</td>
<td>590,000</td>
</tr>
<tr>
<td>2000</td>
<td>635,000</td>
</tr>
<tr>
<td>2001</td>
<td>680,000</td>
</tr>
<tr>
<td>2002 (maturity)</td>
<td>725,000</td>
</tr>
</tbody>
</table>

If the City shall redeem Term Bonds under the optional redemption provisions set forth above or purchase Term Bonds in the open market as set forth below, the par amount of the Term Bonds so redeemed or purchased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds (as allocated by the City) beginning not earlier than 60 days after the date of the
optional redemption or purchase, and the City shall promptly notify the Bond Registrar in writing of the manner in which the credit for the Term Bonds so redeemed or purchased has been allocated.

**Partial Redemption.** 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 series, maturity and interest rate in any of the denominations authorized by this ordinance in the aggregate principal amount remaining unredeemed.

**Open Market Purchase.** The City further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price plus accrued interest to the date of purchase.

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

**Section 7. 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 at their offices in New York, New York, or their successors, to Lehman Brothers Inc. at its principal office in Seattle, Washington, or its successor, to the Bond Insurer at its principal office in Armonk, New York, or its successor, and to such other persons and with such additional information as the Finance Division Manager of the City shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

Section 8. 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 redemption fund hereinafter created and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Section 9. Pledge of Taxes. For as long as any of the Bonds are outstanding, the City irrevocably pledges to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City.
in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds, and the full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 10. 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 and 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, Limited Tax General Obligation Bonds, 1996, [Series A (Tax-Exempt)/Series B (Taxable)], described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By _______________________
Authorized Signer

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, issued and delivered 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 11. 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 12. Preservation of Tax Exemption for Interest on Series A Bonds. The City covenants that it will take all actions necessary to prevent interest on the Series A 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 Series A Bonds or other funds of the City treated as proceeds of the Series A Bonds at any time during the term of the Series A Bonds which will cause interest on the Series A Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), is applicable to the Series A Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Series A Bonds, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Series A 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 14. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to the laws of the State of Washington or 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, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the refunding or defeasance. If money and/or direct obligations of the United States of America maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased Bonds (hereinafter called the "trust account"), then all right and interest of the owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds (other than the trust account) shall cease and become void. The owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any defeased Bonds that constitute less than
all of a particular maturity of the Bonds, for notice of the 
defeasance to be given to the owners of the defeased Bonds and to 
such other persons as the City shall determine, and for any 
required replacement of Bond certificates for defeased Bonds. The 
defeased Bonds shall be deemed no longer outstanding, and the City 
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.

Notwithstanding anything in this section to the contrary, if 
the principal of and/or interest due on the Bonds is paid by the 
Bond Insurer pursuant to the Municipal Bond Insurance Policy, the 
Bonds shall be treated as remaining outstanding for all purposes 
and shall not be considered paid the City, and the covenants, 
agreements and other obligations of the City to the registered 
owners of the Bonds shall continue to exist, and the Bond Insurer 
shall be subrogated to the rights of the registered owners.

Section 15. Bond Fund; Project Fund; and Deposit of Bond 
Proceeds. There is created and established in the office of the 
Finance Division Director a special fund designated as the Limited 
Tax General Obligation Bond Fund, 1996 (the "Bond Fund"). Accrued 
interest on the Bonds, if any, received from the sale and delivery 
of the Bonds shall be paid into the Bond Fund. All taxes collected 
for and allocated to the payment of the principal of and premium, 
if any, and interest on the Bonds, together with other money 
legally available and to be used therefor, shall be deposited in 
the Bond Fund.
There also is created and established in the office of the Finance Division Director a special fund designated as the 1996 LTGO Bond Project Fund (the "Project Fund"). The principal proceeds received from the sale and delivery of the Bonds shall be paid into the Project Fund and used to pay the costs of issuance of the Bonds. The principal proceeds of the Bonds shall be transferred from the Project Fund to other appropriate capital project funds or accounts of the City as required to pay the costs of the several elements of the Project described in Section 2 of this ordinance. Until needed to pay the costs of the Project and costs of issuance of the Bonds, the City may invest principal proceeds temporarily in any legal investment, and the investment earnings may be retained in the Project Fund or applicable capital project funds and be spent for the purposes of those funds except that earnings subject to a federal tax or rebate requirement may be withdrawn from those funds and used for those tax or rebate purposes.

Section 16. Approval of Bond Purchase Contract. Lehman Brothers Inc. of Seattle, Washington (the "Purchaser"), has presented a purchase contract (the "Bond Purchase Contract") to the City offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the City Clerk and is incorporated herein by this reference. The City Council finds that entering into the Bond 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 Bond Purchase Contract, with the approving legal opinion of Foster Pepper & Shefelman, municipal bond counsel of Seattle, Washington, regarding the Bonds printed on each definitive Bond. 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 or disclosure material issued or used in connection with the Bonds, and bond counsel’s opinion shall so state.

The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the Purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 17. Preliminary Official Statement Deemed Final. The City Council has been provided with copies of a preliminary official statement dated June 7, 1996 (the "Preliminary Official Statement"), prepared in connection with the sale of the Bonds. For the sole purpose of the Bond Purchaser’s compliance with the United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(1), the City "deems final" that Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, options of redemption, delivery dates, ratings and other terms of the Bonds dependent on such matters.
Section 18. Undertaking to Provide Continuing Disclosure. To meet the requirements of SEC Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the Bonds, the City makes the following written undertaking (the "Undertaking") for the benefit of holders of the Bonds:

(a) Undertaking to Provide Annual Financial Information and Notice of Material Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent:

(i) To each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule ("NRMSIR") and to a state information depository, if any, established in the state of Washington (the "SID") annual financial information and operating data of the type included in the final official statement for the Bonds and described in Section 18(b) ("annual financial information");

(ii) To each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes; and

(iii) To each NRMSIR or to the MSRB, and to the SID, timely notice of a failure by the City to provide required annual financial information on or before the date specified in Section 18(b).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in Section 18(a):
(i) Shall consist of (1) annual financial statements; (2) a statement of the City's general obligation debt service requirements; and (3) an update of the information set forth in Table 1--Remaining General Obligation Debt Capacity; Table 4--Tax Levy Rate History; Table 5--Property Tax Collection Record; and Table 6--Excise Tax Collection Record, of the Preliminary Official Statement;

(ii) Shall be prepared in accordance with applicable generally accepted accounting principles promulgated by the Government Accounting Standards Board ("GASB"), as such principles may be changed from time to time by GASB or its successor;

(iii) Shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the City they will be provided;

(iv) Shall be provided to each NRMSIR and the SID, not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 1996; and

(v) May be provided in a single or multiple documents, and may be incorporated by reference to other documents that have been filed with each NRMSIR and the SID, or, if the document incorporated by reference is a "final official statement" with respect to other obligations of the City, that has been filed with the MSRB.

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule.

The City will give notice to each NRMSIR or the MSRB, and the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the notice also will include a narrative explanation of the effect of that change on the type of information to be provided.
(d) **Beneficiaries.** The Undertaking evidenced by this Section 18 shall inure to the benefit of the City and any holder of Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) **Termination of Undertaking.** The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of the Rule which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to each NRMSIR or the MSRB and the SID.

(f) **Remedy for Failure to Comply with Undertaking.** As soon as practicable after the City learns of any failure to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

(g) **Designation of Official Responsible to Administer Undertaking.** The Finance Division Director of the City or his or her designee (or such other officer of the City who may in the future perform the duties of the Finance Division Director) is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the City in respect of the Bonds set forth in this Section 18 and in accordance with the Rule, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in Section 18(a) has occurred, assessing its materiality with respect to the Bonds, and, if material, preparing and disseminating notice of its occurrence;

(iii) Determining whether any person other than the City is an "obligated person" within the meaning of the Rule with respect to the Bonds, and
obtaining from such person an undertaking to provide any annual financial information and notice of material events for that person in accordance with the Rule;

(iv) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the City in carrying out the Undertaking; and

(v) Effecting any necessary amendment of the Undertaking.

Section 19. Bond Insurance. The City Council finds that it is in the City's best interest to purchase, and that a savings will result from purchasing, the Municipal Bond Insurance Policy for the Bonds. The City shall purchase from the Bond Insurer the Municipal Bond Insurance Policy insuring the prompt payment of the principal of and interest on the Bonds and agrees to the conditions for obtaining that policy, including the payment of the premium therefor and the following provisions entitled "Payments under the Policy" required by the Bond Insurer to be included in this ordinance:

"A. In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Obligations, the Paying Agent [the Bond Registrar] has not received sufficient moneys to pay all principal of and interest on the Obligations due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

"B. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

"C. In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Obligation to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a
voidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

"D. The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Obligations as follows:

"1. If and to the extent there is a deficiency in amounts required to pay interest on the Obligations, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

"2. If and to the extent of a deficiency in amounts required to pay principal of the Obligations, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Obligation surrendered to the Insurance Paying agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

"E. Payments with respect to claims for interest on and principal of Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Obligations, and the Insurer shall become the owner of such unpaid
Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

"F. Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

"1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in this Indenture and the Obligations; and

"2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Obligations, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Obligations to Holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

"G. In connection with the issuance of additional Obligations, the Issuer shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Obligations.

"H. Copies of any amendments made to the documents executed in connection with the issuance of the Obligations which are consented to by the Insurer shall be sent to Standard & Poor’s Corporation.

"I. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

"J. The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

"Notices: Any notice that is required to be given to a holder of the Obligation or to the Paying Agent pursuant to the Indenture shall also be provided to the Insurer. All
notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance."

Section 20. Temporary Bonds. Pending the printing, execution and delivery to the Purchaser of definitive Bonds, the City may cause to be executed and delivered to the Purchaser a single temporary Bond of each series in the total principal amount of the Bonds. The temporary Bonds shall bear the same date of issuance, interest rates, principal payment dates and terms and covenants as the definitive Bonds, shall be issued as fully registered Bonds in the name of the Purchaser, and otherwise shall be in a form acceptable to the Purchaser. The temporary Bonds shall be exchanged for definitive Bonds as soon as they are printed, executed and available for delivery.
Section 21. This ordinance shall take effect and be in force five (5) days from and after its passage and five (5) days following its publication as required by law.

By

JIM WHITE, Mayor

ATTEST:

BRENDA JACOBER, City Clerk

APPROVED AS TO FORM:

William D. Fite,
Special Counsel and Bond Counsel for the City

Passed the 18 day of June, 1996.
Approved the 18 day of June, 1996.
Published the 21 day of June, 1996.

I certify that this is a true copy of Ordinance No. 3301 passed by the City Council of the City of Kent, Washington, and approved by the Mayor of the City of Kent as hereon indicated.

BRENDA JACOBER, City Clerk

(SEAL)