CITY OF KENT, WASHINGTON

ORDINANCE NO. 3467

AN ORDINANCE relating to local improvement districts; establishing Consolidated Local Improvement District No. 340 and 349 and Consolidated Local Improvement Fund, District No. 340 and 349; fixing the amount, form, date, interest rates, maturity, and denominations of the Consolidated Local Improvement District No. 340 and 349 Bonds; providing for the sale and delivery thereof to Dain Rauscher Incorporated of Seattle, Washington; and fixing the interest rate on local improvement district assessment installments.

WHEREAS, the City Council of the City of Kent, Washington (the "City"), heretofore has created Local Improvement Districts Nos. 340 and 349 for various purposes; and

WHEREAS, RCW 35.45.160 authorizes the establishment of consolidated local improvement districts for the purpose of issuing bonds only and provides that if the governing body of any municipality orders the creation of such consolidated local improvement district, the money received from the installment payment of the principal of and interest on assessments levied within the original local improvement districts shall be deposited in a consolidated local improvement district bond redemption fund to be used to redeem outstanding consolidated local improvement district bonds; NOW, THEREFORE,

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

Section 1. Consolidation of Local Improvement Districts. For the purpose of issuing bonds only, those local improvement districts of the City established by the following ordinances, respectively, the 30-day period for making cash payment of assessments without interest in each local improvement district having expired in the case of the assessments for each
local improvement district, are consolidated into a consolidated local improvement district to be known and designated as Consolidated Local Improvement District No. 340 and 349:

<table>
<thead>
<tr>
<th>Local Improvement District No.</th>
<th>Created by Ordinance No.</th>
<th>Assessment Balance After 30-day Prepayment Period</th>
<th>Term of Roll</th>
</tr>
</thead>
<tbody>
<tr>
<td>340</td>
<td>3404</td>
<td>$13,040,468</td>
<td>15 years</td>
</tr>
<tr>
<td>349</td>
<td>3388</td>
<td>181,193</td>
<td>10 years</td>
</tr>
</tbody>
</table>

Section 2. Bond Fund. There is created and established in the office of the Finance Division Director of the City for Consolidated Local Improvement District No. 340 and 349 a special consolidated local improvement district fund to be known and designated as Consolidated Local Improvement Fund, District No. 340 and 349 (the "Bond Fund"). All money presently on hand representing collections pertaining to installments of assessments and interest thereon in each of the local improvement districts listed in Section 1 received after the end of the respective legal prepayment period for each district shall be transferred to and deposited in the Bond Fund, and all collections pertaining to assessments on the assessment rolls of those local improvement districts when hereafter received shall be deposited in the Bond Fund to redeem outstanding Consolidated Local Improvement District No. 340 and 349 bonds.

Section 3. Authorization and Description of Bonds. Consolidated Local Improvement District No. 340 and 349 Bonds (the "Bonds") shall be issued in the total principal sum of $13,221,661, being the total amount on the assessment rolls of Local Improvement Districts Nos. 340 and 349 remaining uncollected after the expiration of the 30-day interest-free prepayment period. The Bonds shall be dated August 1, 1999, shall mature on August 1, 2016, and shall be numbered from 1 to 2644, inclusive, in the manner and with any additional designation as the Bond Registrar (collectively, the fiscal agencies of the State of Washington) deems necessary for the purpose of identification. Bond No. 1 shall be in the denomination of $6,661.00 and Bonds Nos. 2 to 2644, inclusive, shall be in the denomination of $5,000.00 each.
Interest shall be computed on the basis of a 360-day year of twelve 30-day months. The Bonds shall bear interest, payable annually on August 1 of each year beginning August 1, 2000, in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Bond Numbers (inclusive)</th>
<th>Amounts</th>
<th>Interest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 177</td>
<td>$886,661</td>
<td>4.10%</td>
</tr>
<tr>
<td>178 – 354</td>
<td>885,000</td>
<td>4.50</td>
</tr>
<tr>
<td>355 – 531</td>
<td>885,000</td>
<td>4.70</td>
</tr>
<tr>
<td>532 – 708</td>
<td>885,000</td>
<td>4.90</td>
</tr>
<tr>
<td>709 – 885</td>
<td>885,000</td>
<td>5.00</td>
</tr>
<tr>
<td>886 – 1062</td>
<td>885,000</td>
<td>5.15</td>
</tr>
<tr>
<td>1063 – 1240</td>
<td>890,000</td>
<td>5.30</td>
</tr>
<tr>
<td>1241 – 1418</td>
<td>890,000</td>
<td>5.40</td>
</tr>
<tr>
<td>1419 – 1596</td>
<td>890,000</td>
<td>5.50</td>
</tr>
<tr>
<td>1597 – 1774</td>
<td>890,000</td>
<td>5.60</td>
</tr>
<tr>
<td>1775 – 1948</td>
<td>870,000</td>
<td>5.75</td>
</tr>
<tr>
<td>1949 – 2122</td>
<td>870,000</td>
<td>5.85</td>
</tr>
<tr>
<td>2123 – 2296</td>
<td>870,000</td>
<td>5.90</td>
</tr>
<tr>
<td>2297 – 2470</td>
<td>870,000</td>
<td>5.90</td>
</tr>
<tr>
<td>2471 – 2644</td>
<td>870,000</td>
<td>5.90</td>
</tr>
</tbody>
</table>

The Bonds are structured and the interest rates are fixed in anticipation of their estimated redemption based on projected assessment payments in Local Improvement Districts Nos. 340 and 349, respectively.

**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"). Such 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 may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. The transfer of a Bond shall be by the Bond Registrar’s receiving the Bond to be transferred, canceling it and issuing a new certificate in the form of the Bonds to the transferee after registering the name and address of the transferee on the Bond.
Register. The new certificate shall bear the same Bond number as the transferred Bond but may have a different inventory reference number or control number. 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 solely out of the Bond Fund and from the Local Improvement Guaranty Fund of the City, and shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts mailed to the registered owners on the interest payment date 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. The City reserves the right to redeem the Bonds in accordance with the following schedule, in numerical order, lowest numbers first, at par plus accrued interest to the date fixed for redemption whenever there shall be sufficient money in the Bond Fund to pay the Bonds so called and all earlier numbered Bonds over and above the amount required for the payment of the interest payable on that interest payment date on all unpaid Bonds:
<table>
<thead>
<tr>
<th>Bond Nos.</th>
<th>Call Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 885</td>
<td>On any interest payment date</td>
</tr>
<tr>
<td>886 - 1418</td>
<td>On August 1, 2002, and any interest payment date thereafter</td>
</tr>
<tr>
<td>1419 - 2122</td>
<td>On August 1, 2004, and any interest payment date thereafter</td>
</tr>
<tr>
<td>2123 - 2644</td>
<td>On August 1, 2006, and any interest payment date thereafter</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 any price acceptable to the City plus accrued interest to the date of purchase.

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

Section 7. Notice of Redemption. The City shall cause notice of any intended redemption of Bonds to be given not less than 15 nor more than 45 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 Dain Rauscher Incorporated at its principal office in Seattle, Washington, 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 Fund 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 Assessment Payments. Assessments collected in Local Improvement Districts Nos. 340 and 349, together with interest and penalties, if any, are pledged to the payment of the Bonds which are payable solely out of the Bond Fund and the Local Improvement Guaranty Fund of the City in the manner provided by law. The Bonds are not general obligations of the City.

Section 10. Form and Execution of Bonds. The Bonds shall be printed, lithographed or typed 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, Consolidated Local Improvement District No. 340 and 349 Bonds 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 Bond so authenticated has been duly executed, authenticated, and delivered and is 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 Bond.

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 Bonds. The City covenants that 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 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 Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the 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 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 13. Use of Bond Proceeds. The accrued interest on the Bonds received from the Bond purchaser shall be deposited in the Bond Fund and used to pay debt service on the Bonds on the first interest payment date. $1,322,166.10 being 10% of the principal amount of the Bonds, will be deposited in the Local Improvement Guaranty Fund of the City. The remaining principal proceeds of the Bonds shall be used to finance the costs of the improvements in Local Improvement Districts Nos. 340 and 349, including the repayment of any interim financing for those improvements, and to pay the costs of issuance of the Bonds. Until needed to pay those costs, the City may invest principal proceeds temporarily in any legal investment, and the investment earnings may be retained in the respective local improvement district funds or
accounts therein and be spent for the purposes of those funds, and earnings subject to a federal tax or rebate requirement may be used for those tax or rebate purposes.

Section 14. Deposit of Additional City Funds. An appeal from an assessment in LID No. 340 has been filed with the City Clerk in the total amount of approximately $75,000. This appeal also has been filed with the King County Superior Court. While the City anticipates that the appeal can be defended successfully, the City shall provide from other available City funds and shall deposit in the Bond Fund the total principal amount by which an assessment may be reduced by court judgment or settlement, within 30 days after such reduction, together with interest for one year on such amount at the bond rate.

Section 15. Approval of Bond Purchase Contract. Dain Rauscher Incorporated of Seattle, Washington, 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 PLLC, municipal bond counsel of Seattle, Washington, regarding the Bonds printed on each definitive Bond.

The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the purchaser, including without limitation the execution of the Official Statement on behalf of the City, and for the proper application and use of the proceeds of the sale thereof.
Section 16. Temporary Bond. 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 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 otherwise shall be in a form 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 17. Preliminary Official Statement Deemed Final. The City Council has been provided with copies of a preliminary official statement dated July 8, 1999 (the "Preliminary Official Statement"), prepared in connection with the sale of the Bonds. For the sole purpose of the Bond purchaser's compliance with Securities and Exchange Commission 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 United States Securities and Exchange Commission ("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 subsection (b) of this section ("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 subsection (b) of this section.

(b) **Type of Annual Financial Information Undertaken to be Provided.** The annual financial information that the City undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) 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, which statements 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; (2) a statement of the outstanding balance of obligations secured by the Local Improvement Guaranty Fund of the City at fiscal year end, and the balance of cash and investments (based on market value) in the Local Improvement Guaranty Fund at fiscal year end; (3) the current assessed valuation of each of LIDs Nos. 340 and 349; and (4) a statement of total assessments collected during the preceding fiscal year and the amount of delinquent assessments as of the end of the fiscal year for each of LIDs Nos. 340 and 349;

(ii) 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, 1999; and

(iii) 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 annual financial information containing the amended financial information 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 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 such other officer of the City who may in the future perform the duties of that office) or his or her designee 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 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 subsection (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. Fixing Interest Rate on Assessments. The interest rates on the installments and delinquent payments of the special assessments in Local Improvement Districts Nos. 340 and 349 are revised and fixed at the rate of 6.21% per annum.

Section 20. Effective Date of Ordinance. 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:

Special Counsel and Bond Counsel for the City

Passed the __ day of July__, 1999.
Approved the __ day of July__, 1999.
Published the __ day of July__, 1999.