Order No. 3925

AN ORDINANCE of the City of Kent, Washington; approving certain additions, betterments and improvements to the City’s Waterworks Utility; authorizing the issuance of one or more series of combined utility system revenue bonds of the City in the aggregate principal amount of not to exceed $25,000,000 to pay the costs of said improvements; delegating authority to approve the final terms of the bonds; and reserving the right to issue revenue bonds on a parity with the Bonds upon compliance with certain conditions.

PASSED: August 4, 2009

Combined Utility System Revenue Bonds, Series 2009
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ORDINANCE NO. 3925

AN ORDINANCE of the City of Kent, Washington; approving certain additions, betterments and improvements to the City’s Waterworks Utility; authorizing the issuance of one or more series of combined utility system revenue bonds of the City in the aggregate principal amount of not to exceed $25,000,000 to pay the costs of said improvements; delegating authority to approve the final terms of the bonds; and reserving the right to issue revenue bonds on a parity with the Bonds upon compliance with certain conditions.

RECITALS

A. The City of Kent, Washington (the “City”) owns, operates and maintains a water collection and distribution system (the “Water Utility”); and

B. The City owns, operates and maintains a combined sanitary sewage collection and disposal system and storm and surface water utility (the “System of Sewerage”); and

C. The City Council has determined it is in the best interests of the City to combine the Water Utility and the System of Sewerage (hereinafter defined as the “System”) for the purpose of debt issuance; and

D. The System is in need of additions, improvements and betterments (hereinafter defined as the “Projects”); and

E. The City is authorized pursuant to chapters 35.92 and 39.46 RCW to issue revenue bonds payable from the operating revenues of the System for the purpose of financing the costs of the Projects; and

F. The City has received a written offer from Piper Jaffray & Co., Barclays Capital Inc. and Siebert Brandford Shank & Co., LLC, to purchase the revenue bonds herein authorized under the terms set forth herein and therein; and
G. It is hereby found to be in the best interests of the City that said offer be accepted;

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

SECTION 1. Definitions. As used in this ordinance the following definitions shall apply unless a different meaning clearly appears from the context:

Accreted Value means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in the ordinance authorizing their issuance as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the amount of discounted principal that has accreted since the date of issue. In each case, the Accreted Value shall be determined in accordance with the provisions of the ordinance authorizing the issuance of such Balloon Maturity Bonds.

Annual Debt Service means the total amount of Debt Service for any Parity Bond or series of Parity Bonds or other evidences of indebtedness payable from Revenue of the System in any fiscal year or Base Period.

Balloon Maturity Bonds mean any evidences of indebtedness of the City payable from Revenue of the System that are so designated in the ordinance pursuant to which such indebtedness is incurred.

Base Period means any consecutive 12-month period selected by the City out of the 24-month period next preceding the date of issuance of an additional series of Future Parity Bonds.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership
of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

*Bond Fund* means the City of Kent Revenue Bond Fund and also shall include any fund established in the future for the payment of debt service on Parity Bonds.

*Bond Insurance Policy* means the municipal bond insurance policy, if any, issued by the Insurer insuring the payment when due of the principal of and interest on all or a portion of the Bonds as provided therein.

*Bond Purchase Contract* means the purchase contract for the Bonds between the City and the Underwriters entered into pursuant to the terms of Section 15 of this ordinance.

*Bond Register* means the books or records maintained by the Registrar containing the name and mailing address of the owner of each Bond or nominee of such owner and the principal amount and number of Bonds held by each owner or nominee.

*Bonds* mean the not to exceed $25,000,000 par value City of Kent, Washington, Combined Utility System Revenue Bonds, Series 2009[___] [Taxable], issued in one or more series pursuant to this ordinance.

*Capital Appreciation Bonds* mean any Future Parity Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Capital Appreciation Bonds. If so provided in the ordinance authorizing their issuance, Future Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Future Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount equal to their Accreted Value.

*City* means the City of Kent, a municipal corporation of the State of Washington.

*City Council* means the City Council as the general legislative authority of the City as the same shall be duly and regularly constituted from time to time.
City Representative means the Mayor of the City or such other official or employee of the City designated in writing by the Mayor.

Code means the United States Internal Revenue Code of 1986, as amended, together with all applicable rulings and regulations heretofore or hereafter promulgated thereunder.

Consultant means at any time an independent municipal financial consultant appointed by the City to perform the duties of the Consultant as required by this ordinance. For the purposes of delivering any certificate required by Section 10 hereof and making the calculation required by Section 10 hereof, the term Consultant shall also include any independent public accounting firm or engineer appointed by the City to make such calculation or to provide such certificate.

Contract Resource Obligation means an obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 6(d) of this ordinance, to make payments for water or sewer supply, transmission or other commodity or service to another person or entity.

Costs of Maintenance and Operation means all reasonable expenses incurred by the City in causing the System of the City to be operated and maintained in good repair, working order and condition, deposits, premiums, assessments or other payments for insurance, if any, on the System; payments into pension funds; State-imposed taxes; amounts due under Contract Resource Obligations (but only at the times described in Section 6(d) of this ordinance); payments made to any other person or entity for the receipt of water or sewer supply or transmission or other right, commodity or service; payments made to any other person or entity that are required in connection with the operation of the System or the acquisition or transmission of water or sewer or storm water and that are not subordinate to the lien of the Parity Bonds; and payments with respect to any other expenses of the System that are properly treated as operation and maintenance expenses under generally accepted accounting principles.
applicable to municipal corporation, but shall not include any payments for principal or interest or into the Reserve Account, depreciation or taxes levied or imposed by the City or payments to the City in lieu of taxes, or capital additions or capital replacements to the System.

Coverage Stabilization Account means the account of that name maintained pursuant to Section 6(c) of this ordinance.

Covered Bonds mean the Bonds and those Future Parity Bonds designated in the ordinance authorizing their issuance as Covered Bonds secured by the Reserve Account.

Debt Service means, for any period of time,

(a) with respect to any outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the ordinance authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period;

(b) with respect to any outstanding Fixed Rate Bonds, an amount equal to (1) the principal amount of such Fixed Rate Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such Fixed Rate Bonds, plus (3) all interest payable during such period on any such outstanding Fixed Rate Bonds and with respect to Fixed Rate Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Fixed Rate Bonds on the date specified in the ordinance authorizing such Fixed Rate Bonds; and

(c) with respect to all other series of Parity Bonds, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and
interest on such Parity Bonds during such period computed on the assumption that the amount of Parity Bonds as of the date of such computation would be amortized (1) in accordance with the mandatory redemption provisions, if any, set forth in the ordinance authorizing the issuance of such Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the earlier of (i) the date 30 years after the date of issuance or (ii) the final maturity (2) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index published in the edition of The Bond Buyer (or comparable publication or such other similar index selected by the City) and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by Section 10 hereof, then within ten days of such certificate, (3) to provide for essentially level annual debt service of principal and interest over such period.

Debt Service shall be net of any interest funded out of Bond proceeds. Debt Service shall include reimbursement obligations to providers of Credit Facilities to the extent authorized by ordinance. It is the City’s intent that regularly scheduled payments to be made by or received by the City under Parity Derivative Products shall be added to and deducted from, respectively, Debt Service with respect to Parity Bonds associated with such Parity Derivative Product, to the extent authorized by ordinance.

*Debt Service Offset* means receipts of the City that are not included in Revenue of the System and that are legally available to pay debt service on Parity Bonds, including without limitation federal interest subsidy payments pledged to pay Debt Service Offsets, designated as such by the Designated Representative.

*Designated Representative* means the Mayor of the City and any successor to the functions of such office.
**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 4 hereof.

**Finance Director** means the Finance Director of the City, or any successor to the functions of the Finance Director.

**Fitch** means Fitch, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, *Fitch* shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated by the Finance Director.

**Fixed Rate Bonds** mean those Parity Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under an ordinance in which the rate of interest on such Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the ordinance authorizing their issuance, Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

**Future Parity Bonds** mean any combined utility system revenue bonds which the City may hereafter issue having a lien upon the Revenue of the System for the payment of the principal thereof and interest thereon equal to the lien upon the Revenue of the System of the Bonds.

**Government Loans** mean loans to the City from the Public Works Trust Fund and any other subordinate lien revenue loans received by the City in the future from the State of Washington or the United States of America.

**Government Obligations** has the meaning given such term in chapter 39.53 RCW, as such chapter may be hereafter amended or restated.

**Insurer** means the municipal bond insurance company, if any, selected and designated by the Designated Representative, pursuant to Section 15(b) of this ordinance, or any successor thereto or assignee.

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thereof, as issuer of a Bond Insurance Policy for all or a portion of one or more series of Bonds.

*Letter of Representations* mean the Blanket Issuer Letter of Representations from the City to DTC.

*Maximum Annual Debt Service* means highest dollar amount of Annual Debt Service in any fiscal year or Base Period for all outstanding Parity Bonds and/or for all subordinate lien evidences of indebtedness secured by Revenue of the System, as the context requires.

*Moody’s* means Moody’s Investors Service, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, *Moody’s* shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P and Fitch) designated by the Finance Director.

*MSRB* means the Municipal Securities Rulemaking Board or any successors to its functions.

*Net Proceeds*, when used with reference to the Bonds, means the principal amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount and proceeds, if any, deposited in the Reserve Account.

*Net Revenue* means Revenue of the System less Costs of Maintenance and Operation.

*Original Issue Discount Bonds* mean Parity Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds in the ordinance authorizing their issuance.

*Other Derivative Product* means a payment agreement entered into in connection with one or more series of Parity Bonds between the City and a counterparty permitted under chapter 39.96 RCW, as amended from time to time, or any successor statute, which is not a Parity Derivative Product.

*Parity Bonds* means the Bonds and any Future Parity Bonds.
Parity Derivative Product means a payment agreement between the City and a counterparty satisfying the requirements of chapter 39.96 RCW, as amended from time to time, or any successor statute, obligating the City to make regularly scheduled payments to the counterparty on a parity with the payment of debt service on Parity Bonds.

Parity Requirement means Net Revenues equal to or greater than:

(a) 120% of Maximum Annual Debt Service for all Parity Bonds computed by deducting from Annual Debt Service the Annual Debt Service for each series or issue of Parity Bonds that is covered by ULID Assessments and any Debt Service Offsets, and

(b) 100% of Maximum Annual Debt Service for all subordinate lien evidences of indebtedness secured by Revenue of the System.

In determining the amount of Annual Debt Service “covered by ULID Assessments”, Annual Debt Service for each future year is reduced by the dollar amount of ULID Assessments projected to be received during such future year, and the remaining outstanding ULID Assessments are assumed to be paid in the remaining number of annual installments with no prepayments.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by

Combined Utility System Revenue Bonds, Series 2009
such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a de minimis fee to cover custodial expenses.

*Project Funds* mean the Water Project Fund, the Sewer and Drainage Project Fund of the City.

*Projects* mean those projects specified in Appendix A and authorized in Section 2 of this ordinance.

*Qualified Insurance* means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories by any Rating Agency.

*Qualified Letter of Credit* means any irrevocable letter of credit issued by a financial institution for the account of the City on behalf of registered owners of the Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest Rating Categories by any Rating Agency.

*Rate Covenant* means Net Revenue in each fiscal year at least equal to 120% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on all Parity Bonds, subtracting from scheduled debt service (1) the amount of ULID Assessments collected in such year and (2) Debt Service Offsets. Furthermore, in determining compliance with the Rate Covenant, Net Revenues are subject to adjustment to reflect the following:

*Combined Utility System Revenue Bonds, Series 2009*
(a) It is the intent of the City that regularly scheduled net payments under Parity Derivative Products be reflected in the calculation of debt service with respect to the associated Parity Bonds and not as adjustments to Revenue or Costs of Maintenance and Operation; and

(b) Revenue and Costs of Maintenance and Operation may be adjusted, regardless of then applicable generally accepted accounting principles, for certain items (e.g., to omit unrealized gains or losses in investments) to reflect more fairly the System’s annual operating performance.

*Rating Agency* means Moody’s, S&P or Fitch.

*Rating Category* means the generic rating categories of the Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

*Registrar* means the fiscal agency of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds, and paying the principal of, premium, if any, and interest on the Bonds.

*Registered Owner* means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be the sole Registered Owner.

*Reserve Account* means the Debt Service Reserve Account maintained within the Bond Fund.

*Reserve Requirement* is the dollar amount to be calculated with respect to all Covered Bonds and separately with respect to other Parity Bonds.

(a) With respect to Covered Bonds, the Reserve Requirement shall be equal to the least of:

1. Maximum Annual Debt Service for Covered Bonds,
2. 10% of the initial principal amount of Covered Bonds of each series, and
(3) 125% of average annual debt service for Covered Bonds; provided, however, that the dollar amount required to be contributed, if any, as a result of the issuance of a series of Future Parity Bonds shall not be greater than the Tax Maximum. If the dollar amount required to be contributed at the time of issuance of a series exceeds the Tax Maximum, then the amount required to be contributed shall be equal to the Tax Maximum.

(b) With respect to other series of Parity Bonds, the Reserve Requirement shall be equal to the amount specified in the ordinance authorizing the issuance of that series of Parity Bonds.

The Reserve Requirement shall be adjusted accordingly and remain in effect until the earlier of (1) at the City's option, a payment of principal of Parity Bonds or (2) the issuance of a subsequent series of Future Parity Bonds (when the Reserve Requirement shall be re-calculated).

Revenue Fund means, collectively, Water Fund and the Sewerage Fund, each maintained by the City, and shall also include any other fund of the City into which the Revenue of the System is deposited.

Revenue of the System or Revenue means all of the earnings and revenues received by the City from the maintenance and operation of the System and connection and capital improvement charges collected for the purpose of defraying the cost of capital facilities of the System, including investment earnings, but excluding government grants, proceeds from the sale of System property, City taxes collected by or through the System, principal proceeds of bonds and earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund System obligations (until commingled with other earnings and revenues of the System) or held in a special account for the purpose of paying a rebate to the United States Government under the Code. Revenue of the System shall also include any federal or state reimbursements of operating expenses to the extent such expenses are included as Costs of Maintenance and Operation; provided, however, that

Combined Utility System Revenue Bonds, Series 2009
Revenue of the System shall not include ULID Assessments. Amounts withdrawn from the Coverage Stabilization Account shall increase Revenue for the period in which they are withdrawn, and amounts deposited in the Coverage Stabilization Account shall reduce Revenue for the period during which they are deposited. Credits to or from the Coverage Stabilization Account that occur within 90 days after the end of a fiscal year may be treated as occurring within such fiscal year.

*Rule* means the SEC’s Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

*S&P* means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, a New York corporation, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, *S&P* shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s and Fitch) designated by the Finance Director.

*SEC* means the Securities and Exchange Commission.

*System* means, for so long as any of the Parity Bonds are outstanding: (a) the water collection and distribution system of the City, as it now exists and including all additions, betterments and extensions at any time made; (b) the sanitary sewage collection and disposal system of the City, as it now exists and including all additions, betterments and extensions at any time made; (c) the storm and surface water utility of the City, as it now exists and including all additions, betterments and extensions at any time made; and (d) any other system or utility, that may lawfully be combined with the foregoing.

*Tax Maximum* means the maximum dollar amount permitted by the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.
**Taxable Bonds** means any Bonds determined to be issued on a taxable basis, including any Build America Bonds, pursuant to Section 15(a) of this ordinance.

**Tax-Exempt Bonds** means any Bonds determined to be issued on a tax-exempt basis pursuant to Section 15(a) of this ordinance.

**Term Bonds** means any Bonds designated as term bonds in the Bond Purchase Contract that are payable as to principal, in part, by mandatory sinking fund redemptions prior to their stated maturities.

**ULID** means a utility local improvement district of the City. The City does not currently have any existing utility local improvement districts.

**ULID Assessments** means the assessments levied in all ULIDs, the assessments in which are payable into the Bond Fund, and shall include installments thereof and interest and any penalties thereon.

**Underwriters** mean Piper Jaffray & Co., Barclays Capital Inc. and Siebert Brandford Shank & Co., LLC.

**Rules of Interpretation.** In this ordinance, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this ordinance;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several sections of this ordinance, and any table of contents or marginal notes appended to copies
hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof:

(f) Words importing the singular number include the plural number and vice versa.

**SECTION 2.** Findings and Purposes; Plan of Additions and Betterments to the System. The Council hereby finds that it is in the best interest of the City and its ratepayers to combine its water collection and distribution system, the sanitary sewage collection and disposal system, and the storm and surface water utility for purposes of paying debt service on Parity Bonds and meeting Parity Bond covenants. “System” shall hereafter have the meaning for such term set forth in Section 1 of this ordinance.

The City Council hereby finds that the public interest, welfare and convenience require the construction, acquisition and installation of certain improvements to the System, including but not limited to the improvements listed in Appendix A attached hereto and incorporated herein by this reference (together, the “Projects”) and that said improvements are legally required and/or economically sound, and will contribute to the conduct of the business of the System in an efficient manner.

The City shall provide all equipment, connections and appurtenances together with all work as may be incidental and necessary to complete the Projects. The Project facilities shall be integrated into the System as required to provide a fully operational facility.

The City may make such changes in or additions to the Projects or in the construction or design of other facilities of the System as may be found necessary or desirable. Implementation or completion of any specified

**Combined Utility System Revenue Bonds, Series 2009**
improvement shall not be required if the City Council determines that, due to substantially changed circumstances, it has become advisable or impractical. If the Projects have either been completed, or its completion duly provided for, or their completion found to be impractical, the City may apply the Bond proceeds or any portion thereof to other improvements to the System, as the City Council in its discretion shall determine. In the event that the proceed of sale of the Bonds, plus any other moneys of the City legally available, are insufficient to accomplish all of the Projects provided by this section, the City shall use the available funds for paying the cost of those improvements for which the Bonds were approved, deemed by the City Council most necessary and to the best interest of the City.

The City shall acquire by purchase, lease or condemnation, all property, both real and personal, or any interest therein, or rights-of-way and easements that may be found necessary to acquire, construct and install the Projects.

The estimated cost of this plan of additions and betterments and all costs incidental thereto (including costs of issuance of the Bonds and funding of the Reserve Requirement), is hereby declared to be as nearly as practicable the sum of $175,000,000, a portion of which shall be provided out of the proceeds of the sale of the Bonds.

**SECTION 3.** - *Authorization and Description of Bonds.* The City shall now issue and sell one or more series of combined utility system revenue bonds in the aggregate principal amount of not to exceed $25,000,000 (the “Bonds”) for the purpose of paying a portion of the costs of the Project and paying the costs of issuance of the Bonds.

The Bonds shall be designated as the “City of Kent, Washington Combined Utility System Revenue Bonds, Series 2009” and with the additional designation of “Taxable” for any series of Taxable Bonds. At the written direction of the Designated Representative, the Registrar shall designate a particular principal amount of Bonds as a series. A series of
Bonds shall be identified by the year of issue and sequential letters (e.g. Series 2009A, Series 2009B). Upon such designation, such Bonds shall be a series for the purposes of this ordinance, unless and until consolidated or changed to another series designation by written direction of the Designated Representative. The Bonds of each series shall be dated as of their date of original issuance and delivery; shall be fully registered as to both principal and interest; shall be in the denomination of $5,000 each, or any integral multiple thereof within a series and maturity, provided that no Bond shall represent more than one series and maturity; shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification; shall bear interest from their date payable semiannually on the interest payment dates set forth in the Bond Purchase Contract; and shall mature in the years and in the principal amounts as set forth and approved in the Bond Purchase Contract executed by the Designated Representative pursuant to Section 15(a) of this ordinance.

The Bonds shall be obligations only of the Bond Fund and shall be payable and secured as provided herein. The Bonds do not constitute an indebtedness or general obligation of the City within the meaning of the constitutional provisions and limitations of the State of Washington.

**SECTION 4. – Registration, Exchange and Payments.**

(a) **Registrar/Bond Register.** The City hereby adopts the system of registration and transfer for the Bonds approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The City shall cause a bond register to be maintained by the Registrar. So long as any Bonds remain outstanding, the Registrar shall make all necessary provisions to permit the exchange or registration of transfer of Bonds at its principal corporate trust office. The Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Registrar’s powers and duties.
under this ordinance. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) **Registered Ownership.** The City and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 18 of this ordinance), and neither the City nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(g) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 4(g) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) **DTC Acceptance/Letter of Representations.** To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has executed and delivered to DTC a Letter of Representations.

Neither the City nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Registrar or to DTC (or any successor depository), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder (except for purposes of Section 18 of this ordinance), and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.
If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

(d) Use of Depository.

(1) The Bonds shall be registered initially in the name of "CEDE & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for each series of the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Designated Representative pursuant to subsection (2) below or such substitute depository’s successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Finance Director, issue a single new Bond for each series and maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

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In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Finance Director determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain such Bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully-immobilized form. The Finance Director shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Director to the Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) Registration of Transfer of Ownership or Exchange; Change in Denominations. The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless such Bond is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner’s duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, series, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, series, maturity and interest rate, in any authorized denomination. The Registrar shall not
be obligated to register the transfer or to exchange any Bond during the 15 days preceding any interest payment or principal payment date any such Bond is to be redeemed.

(f) Registrar’s Ownership of Bonds. The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) Place and Medium of Payment. The 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 calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are in fully-immobilized form, such payments of principal and interest thereon shall be made as provided in the operational arrangements of DTC as referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully-immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners of the Bonds at the addresses for such Registered Owners 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 such Bonds by the Registered Owners at the principal office of the Registrar.

SECTION 5. Redemption and Purchase.

(a) Mandatory Redemption of Term Bonds and Optional Redemption, if any. The Bonds may be called for redemption at any time prior to scheduled maturity under terms approved by the Designated Representative in the Bond Purchase Contract pursuant to Section 15(a) of this ordinance.

(b) Purchase of Bonds for Retirement. The City reserves the right to use at any time any surplus Revenue of the System available after
providing for the payments required by paragraphs First, through Fifth of Section 6 of this ordinance, or other available funds, to purchase for retirement any of the Bonds at any price deemed reasonable by the City.

(c) **Effect of Purchase.** To the extent that the City shall have purchased any Balloon Maturity Bonds or Term Bonds since the last scheduled mandatory redemption of such Balloon Maturity Bonds, the City may reduce the principal amount of such Balloon Maturity Bonds or Term Bonds to be redeemed in like principal amount. Such reduction may be applied in the year specified by the Finance Director.

(d) **Selection of Bonds for Redemption.** Except to the extent that another method is prescribed in the Bond Purchase Contract, as long as the Bonds are held in book-entry only form, the maturities of the Bonds to be redeemed shall be selected by the City and, within a series and maturity, the selection of the Bonds of such series to be redeemed shall be made in accordance with the operational arrangements in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this subsection (d). If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected randomly or as otherwise specified in the Bond Purchase Contract (or in such other manner determined by the Registrar) in increments of $5,000. In the case of a Bond of a denomination greater than $5,000, the City and Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such Bond by $5,000. If Bonds are called for optional redemption, portions of the principal amount of such Bonds, in installments of $5,000 or any integral multiple of $5,000, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Registrar, there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed
balance of the principal amount thereof, a new Bond or Bonds, at the
option of the Registered Owner, of like series, maturity and interest rate in
any denomination authorized by this ordinance.

(e) Notice of Redemption.

(1) Official Notice. Unless waived by any owner of Bonds to
be redeemed, official notice of any such redemption (which notice may be conditional) shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 15 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. All official notices of redemption shall be dated and shall state:

(A) the redemption date,
(B) the redemption price,
(C) if fewer than all outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
(D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
(E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

On or prior to any redemption date, the City shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date, unless the redemption notice specified a conditional redemption and the condition was not fulfilled.

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(2) Effect of Notice; Bonds Due. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same series and maturity in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued. The City will not provide notices of redemption to beneficial owners of any Bond, and notice to DTC in accordance with this section shall constitute sufficient notice.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 15 days before the redemption date to the each party entitled to receive notice pursuant to Section 18, and to the Underwriter or to its business successor, if any, and to such persons and with such additional information as the Finance

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Director shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) **CUSIP Numbers.** Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(5) **Amendment of Notice Provisions.** The foregoing notice provisions of this Section 5, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

**SECTION 6.** - Revenue Fund; Priority of Application of Revenue; Coverage Stabilization Account; Contract Resource Obligations.

(a) **Revenue Fund.** All Revenue of the System shall be deposited in the Revenue Fund (the "Revenue Fund"). The City maintains the Revenue Fund as a separate enterprise fund of the City. Notwithstanding the foregoing, the Finance Director may maintain such separate funds and accounts in such names and under such additional designations as shall be required to comply with the City practices and/or uniform system of accounting established by the State Auditor from time to time.

(b) **Priority of Application of Revenue of the System.** The Revenue Fund shall be held separate and apart from all other funds and accounts of the City and the Revenue of the System deposited in such Fund shall be used only for the following purposes and in the following order of priority:

First, to pay the Costs of Maintenance and Operation of the System;

Second, to pay the interest on any Parity Bonds, including reimbursements to the issuer of a Qualified Letter of Credit or Qualified

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Insurance if the Qualified Letter of Credit or Qualified Insurance secures the payment of interest on Parity Bonds and the ordinance authorizing such Parity Bonds provides for such reimbursement and, without duplication, to make regularly scheduled payments due with respect to any Parity Derivative Product;

Third, to pay the principal of any Parity Bonds, including reimbursements to the issuer of a Qualified Letter of Credit or Qualified Insurance if the Qualified Letter of Credit or Qualified Insurance secures the payment of principal of Parity Bonds and the ordinance authorizing such Parity Bonds provides for such reimbursement;

Fourth, to make all payments required to be made into the Reserve Account for Covered Bonds and to any reserve account created in the future for the payment of debt service on Future Parity Bonds, including reimbursements to the issuer of a Qualified Letter of Credit or Qualified Insurance if the Qualified Letter of Credit or Qualified Insurance has been issued to fund the Reserve Requirement and/or the reserve requirement(s) for any Future Parity Bonds and the ordinance authorizing such Parity Bonds provides for such reimbursement;

Fifth, to make all payments required to be made into any revenue bond redemption fund or revenue warrant redemption fund and debt service fund or reserve account created to pay and secure the payment of the principal of and interest on Government Loans and any other revenue bonds or revenue warrants of the City having a lien upon the Revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on Parity Bonds; and

Sixth, to retire by redemption or purchase any outstanding revenue bonds or revenue warrants of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, or

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

Notwithstanding the foregoing, the obligations of the City to make nonscheduled payments under a Parity Derivative Product (i.e., any termination payment or other fees) and/or make any payment pursuant to an Other Derivative Product may be payable from Revenue of the System available after Sixth above, as set forth in such Parity Derivative Product or Other Derivative Product.

(c) Coverage Stabilization Account. The Finance Director is hereby authorized to create a Coverage Stabilization Account within the Revenue Fund. The City hereby determines that the maintenance of a Coverage Stabilization Account will moderate fluctuations in Net Revenues and help to alleviate the need for short-term rate adjustments. Money in the Coverage Stabilization Account will be transferred as determined from time to time by the City. The City may make payments into the Coverage Stabilization Account from the Revenue Fund at any time. Money in the Coverage Stabilization Account may be withdrawn at any time and used for the purpose for which the Revenue of the System may be used. Amounts withdrawn from the Coverage Stabilization Account shall increase Revenue of the System for the period in which they are withdrawn, and amounts deposited in the Coverage Stabilization Account shall reduce Revenue of the System for the period during which they are deposited. Credits to or from the Coverage Stabilization Account that occur within 90 days after the end of a fiscal year may be treated as occurring within such fiscal year. Earnings on the Coverage Stabilization Account shall be credited to the Revenue Fund.

(d) Contract Resource Obligations. The City may at any time enter into one or more contracts or other obligations for the acquisition, from facilities to be constructed, of water, sewer or storm water supply,
transmission, treatment or other commodity or service relating to the System. The City may determine that such contract or other obligation is a Contract Resource Obligation, and may provide that all payments under that Contract Resource Obligation (including payments prior to the time that water, sewer or storm water supply, transmission, treatment or other commodity or service is being provided, or during a suspension or after termination of supply or service) shall be Costs of Maintenance and Operation if the following requirements are met at the time such Contract Resource Obligation is entered into:

1. The City shall not be in default with respect to any obligations of it under this ordinance.

2. There shall be on file a certificate of a Consultant stating that (A) the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the supply, transmission, treatment or other service rendered; (B) the source of any new supply, and any facilities to be constructed to provide the supply, transmission, treatment or other service, are sound from a water, sewer or storm water or other commodity supply or transmission planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide supply or transmission or other service no later than a date set forth in the Consultant’s certification; and (C) the Net Revenue (further adjusted by the Consultant’s estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five fiscal years following the year in which the Contract Resource Obligation is incurred, as such Net Revenue is estimated by the Consultant (with such estimate based on such factors as he or she considers reasonable), will be at least equal to the Parity Requirement.

Payments required to be made under Contract Resource Obligations shall not be subject to acceleration.

Nothing in this Section 6(d) shall be deemed to prevent the City from entering into other agreements for the acquisition of water supply,
transmission, treatment or other commodity or service from existing facilities and from treating those payments as Costs of Maintenance and Operation of the System so long as such service is actually being supplied. Nothing in this Section 6(d) shall be deemed to prevent the City from entering into other agreements for the acquisition of water, sewer or storm water supply, transmission, treatment or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Net Revenue subordinate to that of Parity Bonds.

SECTION 7. - Bond Fund and Reserve Account. The Finance Director is hereby authorized to establish the City of Kent Revenue Bond Fund for the payment of the debt service on all Parity Bond (the “Bond Fund”). The Finance Director is also hereby authorized to establish the Debt Service Reserve Account (the “Reserve Account”) within the Bond Fund as a common reserve, securing the repayment of the Bonds and any Future Parity Bonds that are designated as Covered Bonds in the ordinance authorizing their issuance (inclusively, “Covered Bonds”).

(a) Payments into Bond Fund. The Bond Fund shall be maintained for the purpose of paying the principal of and interest on all Parity Bonds.

As long as any Parity Bond remains outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay from the Revenue Fund into the Bond Fund those amounts necessary, together with such other funds as are on hand and available in the Bond Fund, to pay the interest or principal and interest next coming due on outstanding Parity Bonds and to pay regularly scheduled net payments on Parity Derivative Products. Such payments from the Revenue Fund to the Bond Fund shall be made in a fixed amount without regard to any fixed proportion following the closing and delivery of the Bonds on or before each date on which an installment of interest or principal and interest falls due on Parity Bonds equal to the installment of interest or principal and interest.
The Finance Director is hereby authorized and directed and the City hereby obligates and binds itself to set aside and pay into the Bond Fund all ULID Assessments as the same are collected.

(b) Payments into Reserve Account. The Reserve Account shall be maintained for the purpose of securing the payment of the principal of and interest on all Covered Bonds. The City covenants and agrees that within three years from and after the closing and delivery of the Bonds, it shall establish and thereafter at all times shall maintain an amount in the Reserve Account at least equal to the Reserve Requirement, except for withdrawals therefrom authorized hereinafter, for so long as any Covered Bonds remain outstanding. The Reserve Requirement may be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. In computing the amount on hand in the Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of moneys therein shall be valued at cost. As used herein, the term “cash” shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier’s check; and the deposit to the Reserve Account may be satisfied initially by the transfer of qualified investments to such account. Upon the closing and delivery of the Bonds, the City will deposit cash into the Reserve Account in an amount equal to one-twelfth of the Reserve Requirement for the Covered Bonds and thereafter shall deposit the remainder of the Reserve Requirement in approximately equal quarterly installments so that on the date that is three years from the date of issuance of the Bonds there will have been deposited into the Reserve Account an amount that, together with the money already on deposit therein, will be at least equal to the Reserve Requirement. Such quarterly payments into the Reserve Account shall be made not later than January 1, April 1, July 1, and October 1 of each year, commencing January 1, 2010.
In the event the City issues any Future Parity Bonds that are Covered Bonds, it will provide in the ordinance authorizing the issuance of the same for payment into the Reserve Account out of proceeds of such Future Parity Bonds, Revenue of the System or ULID Assessments (or, at the option of the City, out of any other funds on hand and legally available therefor) approximately equal quarterly installments so that by the date that is three years from the date of issuance of such Future Parity Bonds there will have been deposited into the Reserve Account an amount that, together with the money already on deposit therein, will be at least equal to the Reserve Requirement. Such quarterly payments into the Reserve Account shall be made not later than January 1, April 1, July 1, and October 1 of each year.

If the balances on hand in the Reserve Account are sufficient to satisfy the Reserve Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Bond Fund, including the Reserve Account to pay the principal of and interest on all outstanding Covered Bonds, the money in the Reserve Account may be used to pay such principal and interest. As long as the money left remaining on deposit in the Reserve Account is equal to the Reserve Requirement, money in the Reserve Account may be transferred to the Bond Fund and used to pay the principal of and interest on Covered Bonds as the same becomes due and payable. The City also may transfer out of the Reserve Account any money required in order to prevent any Parity Bonds from becoming “arbitrage bonds” under the Code.

If a deficiency in the Bond Fund for the payment of debt service on Covered Bonds shall occur, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Reserve Account, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency with respect to Covered Bonds, and if a deficiency still exists immediately prior to an interest payment date and

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after the withdrawal of cash, the City shall then draw from any Qualified Letter of Credit or Qualified Insurance for Covered Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide.

In making the payments and credits to the Reserve Account required by this Section 7(b), to the extent that the City has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Reserve Account such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account by this Section 7(b) to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution.

Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up within three years of the date of withdrawal from Net Revenues or from ULID Assessments (or out of any other moneys on hand legally available for such purpose), in equal quarterly installments on each January 1, April 1, July 1 and October 1, after making necessary provision for the payments required to be made into the Bond Fund within such year.

Any Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than 30 days’ notice to the City. In the event of any cancellation, the Reserve Account shall be funded as if the Covered Bonds that remain outstanding had been issued on the date of such notice of cancellation.

In the event that the City elects to meet the Reserve Requirement through the use of a Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement device, the City may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement device that the City’s reimbursement
obligation, if any, to such entity shall be made from payments of principal and interest on Covered Bonds from the City subject only to the prior lien thereon for the payments required hereunder to be made to registered owners of Parity Bonds.

(c) **Priority of Lien of Payments into Bond Fund and Reserve Account.** The amounts so pledged to be paid into the Bond Fund and the Reserve Account from the Revenue Fund and from ULID Assessments are hereby declared to be a prior lien and charge upon the Revenue of the System and ULID Assessments superior to all other charges of any kind or nature whatsoever except the Costs of Maintenance and Operation of the System, and except that the amounts so pledged are of equal lien to the charges upon such Revenue of the System and ULID Assessments for the payment of the principal of and interest on any Future Parity Bonds.

(d) **Application and Investment of Moneys in the Bond Fund and Reserve Account.** Money in the Bond Fund and Reserve Account may be kept in cash or invested as permitted by law. Investments in the Bond Fund shall mature prior to the date on which such money shall be needed for required interest or principal payments (for investments in the Bond Fund) or having a guaranteed redemption price prior to maturity. Investments in the Reserve Account shall mature not later than the last maturity of any then outstanding Parity Bonds.

(e) **Sufficiency of Revenues.** The City Council hereby finds that in fixing the amounts to be paid into the Bond Fund and the Reserve Account out of the Revenue of the System, it has exercised due regard for the Costs of Maintenance and Operation and has not obligated the City to set aside and pay into the Bond Fund and the Reserve Account a greater amount of such Revenue than in its judgment will be available over and above the Costs of Maintenance and Operation.
SECTION 8. - Specific Covenants.

(a) Rate Covenant. The City will establish, maintain and collect such rates and charges for service of its System for so long as any Bonds are outstanding as will maintain the Rate Covenant.

(b) System Maintenance. The City will at all times maintain and keep the System in good repair, working order and condition, and also will at all times operate such utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) Disposal of Properties. The City will not mortgage, sell, lease, or in any manner encumber or dispose of all or substantially all the property of the System (voluntarily or involuntarily), unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of, premium, if any, and interest on all outstanding bonds payable therefrom, nor will it mortgage, sell, lease, or in any manner encumber or dispose of (including but not limited to a disposition by transfer to another public or private organization) voluntarily or involuntarily any part of the System that is used, useful and material to the operation of the System unless

1. the City certifies, based upon reasonable expectations, that the remaining assets of the System shall be sufficient to continue regular operations of the City on a financially sound basis for a period of at least five years and

2. provision is made for replacement thereof or for payment into the Bond Fund of the total amount of revenue received which shall not be less than an amount which shall bear the same ratio to the amount of outstanding Parity Bonds as the greater of

   (A) the Net Revenue available for Debt Service for such outstanding Parity Bonds for the 12 months preceding such sale, lease, encumbrance or disposal from the portion of the System sold, leased, encumbered or disposed of bears to the Net Revenue available for

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Debt Service for such Parity Bonds from the entire System for the same period;

(B) the Revenue of the System for the 12 months preceding such sale, lease, encumbrance or disposal from the portion of the System sold, leased, encumbered or disposed of bears to the Revenue of the System for the same period;

(C) the proportion of assets (on a depreciated basis) allocable to the assets being sold, leased, encumbered or disposed of bears to the total assets of the System; or

(D) the proportion of customers of the City allocable to the assets being sold, leased, encumbered or disposed of bears to the total number of customers of the System,

 provided, however, that the City may dispose of any portion of the facilities of the System up to an aggregate of ten percent of the book value of the total assets of the System without the requirement for any deposit to the Bond Fund as hereinabove provided.

Any such moneys so paid into the Bond Fund shall be used to retire such outstanding Parity Bonds at the earliest possible date. Any money received by the City as condemnation awards, insurance proceeds or the proceeds of sale, if not deposited to the Bond Fund, shall be used for the replacement of facilities of the System.

(d) Books and Records. The City will, while any of the Bonds remains outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System, and it will furnish the original purchaser or purchasers of the Bonds or any subsequent owner or owners thereof, at the written request of such owner or owners, complete operating and income statements of the System in reasonable detail covering any fiscal year, showing the financial condition of the water and sewer departments and compliance with the terms and conditions of this ordinance, not more than 150 days after the close of such fiscal year, and it will grant any
owner or owners of at least 25% of the outstanding Bonds the right at all reasonable times to inspect the entire System and all records, accounts and data of the City relating thereto. Upon request of any owner of any of said Bonds, it will also furnish to such owner a copy of the most recently completed audit of the City’s accounts by the State Auditor of Washington or independent certified public accountant.

(e) **No Free Service.** The City will not furnish water or sanitary sewerage disposal service to any customer whatsoever free of charge (except to aid the poor or infirm, to provide for resource conservation or to provide for the proper handling of hazardous materials) and will promptly take legal action to enforce collection of all delinquent accounts.

(f) **Property Insurance.** The City will at all times carry fire and extended coverage and such other forms of insurance on the buildings, equipment, facilities and properties of the System, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the City Council shall deem necessary for the protection of the System and the owners of all outstanding Parity Bonds.

(g) **Liability Insurance.** The City will at all times keep and arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the City against anyone claiming damages of any kind or nature arising out of the operation of the System, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the City Council shall deem necessary for the protection of the City and the owners of the outstanding Parity Bonds.

(h) **Delinquencies of Accounts.** The City will, on or before March 1 of each calendar year, determine all accounts that are delinquent and will take all necessary action to enforce payment of any such delinquencies.

(i) **ULID Assessments.** All ULID Assessments shall be paid into the Bond Fund and shall be used to pay and secure the payment of the

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principal of and interest on the Bonds and Future Parity Bonds. Nothing in this ordinance or this section shall be construed to prohibit the City from issuing water, sewer or water and sewer revenue bonds junior in lien to the Bonds and pledging as security for their payment assessments levied in any ULID which may have been specifically created to pay part of the cost of improvements to the System for which those junior lien bonds were specifically issued.

**SECTION 9. – Tax Covenants.**

(a) **Tax-Exemption.** The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Tax-Exempt Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Tax-Exempt Bonds.

(b) **Arbitrage Covenant.** Without limiting the generality of the foregoing, the City covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bonds or any other funds of the City which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the date of delivery of the Bonds to the initial purchasers thereof, would have caused the Bonds as “arbitrage bonds” within the meaning of such term as used in Section 148 of the Code.

The City represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon. The City will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Bonds.

(c) **Private Person Use Limitation for Bonds.** The City covenants that for as long as the Bonds are outstanding, it will not permit:
(1) More than 10% of the Net Proceeds of the Bonds to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The City further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this ordinance or any underlying arrangement) directly or indirectly:

(A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or

(B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use,

then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the Projects, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the project to which the Private Person Use of such portion of the Projects relates. The City further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the
opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(d) **Designation under Section 265(b) of the Code.** The City hereby designates the Tax-Exempt Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The City does not anticipate issuing more than $30,000,000 of tax-exempt obligations during 2009 (excluding obligations permitted by the Code to be excluded for purposes of the City’s qualification as a qualified small issuer).

(e) **Modification of Tax Covenants.** The provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the City’s bond counsel that such modification or elimination will not adversely affect the treatment of interest on any Bonds.

**SECTION 10. – Issuance of Future Parity Bonds.**

(a) **Conditions upon the Issuance of Future Parity Bonds.** As long as any of the Bonds remain outstanding, the City hereby further covenants and agrees that it will not issue any Future Parity Bonds except that the City hereby reserves the right to issue additional combined utility system revenue bonds, which shall constitute a charge and lien upon the Revenue of the System equal to the lien thereon of the Bonds. Except as provided in subsection (b) below, the City shall not issue any series of Future Parity Bonds or incur any additional indebtedness with a parity lien or charge on Net Revenues (i.e., on a parity of lien with Parity Bonds at the time outstanding) unless:

1. the City shall not have been in default of its Rate Covenant for the immediately preceding fiscal year;
2. The ordinance authorizing the issuance of such Future Parity Bonds shall include the covenants provided in Section 8(b) hereof

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and provide that the Reserve Requirement shall be funded no later than three years from the date of delivery of the Future Parity Bonds; and

(3) there shall have been filed a certificate (prepared as described in subsection (c) or (d) below) demonstrating fulfillment of the Parity Requirement, commencing with the first full fiscal year following the date on which any portion of interest on the series of Future Parity Bonds then being issued no longer will be paid from the proceeds of such series of Future Parity Bonds.

(b) No Certificate Required. The certificate described in the foregoing subsection (a)(3) shall not be required as a condition to the issuance of Future Parity Bonds:

(1) if the Future Parity Bonds being issued are for the purpose of refunding at or prior to their maturity any part or all of the then outstanding Parity Bonds for debt service savings, and if the Finance Director provides a certificate stating that upon the issuance of such Future Parity Bonds (i) total debt service on all Parity Bonds (including the refunding bonds but not including the bonds to be refunded thereby) will decrease, and (ii) the Annual Debt Service for each year that any Parity Bonds (including the refunding bonds proposed to be issued) will be outstanding will not increase by more than $5,000 by reason of the issuance of such Future Parity Bonds; or

(2) if the Future Parity Bonds are being issued to pay costs of construction of facilities of the System for which Future Parity Bonds have been issued previously and the principal amount of such Future Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Future Parity Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a written certificate of the Finance Director, and there is delivered a Designated Representative’s certificate stating that the nature and purpose of such facilities has not materially changed.
(c) **Certificate of the City Without A Consultant.** If required pursuant to the foregoing subsection (a)(3), a certificate may be delivered by the City (executed by the Finance Director) without a Consultant if Net Revenues for the Base Period (confirmed by an audit) conclusively demonstrate that the Parity Requirement will be fulfilled commencing with the first full fiscal year following the date on which any portion of interest on the series of Future Parity Bonds then being issued will not be paid from the proceeds of such series of Future Parity Bonds.

(d) **Certificate of a Consultant.** Unless compliance with the requirements of subsection (a)(3) have been otherwise satisfied (as provided in (b) or (c) above), compliance with the Parity Requirement shall be demonstrated conclusively by a certificate of a Consultant.

In making the computations of Net Revenues for the purpose of certifying compliance with the Parity Requirement, the Consultant shall use as a basis the Net Revenues (which may be based upon unaudited financial statements of the City if the audit has not yet been completed) for the Base Period. Such Net Revenues shall be determined by adding the following:

1. The historical net revenue of the City for the Base Period being issued as determined by a Consultant.

2. The net revenue derived from those customers of the City that have become customers during such 12-month period or thereafter and prior to the date of such certificate, adjusted to reflect a full year’s net revenue from each such customer to the extent such net revenue was not included in (1) above.

3. The estimated annual net revenue to be derived from any person, firm, association, private or municipal corporation under any executed contract for service, which net revenue was not included in any of the sources of net revenue described in this subsection (d).

4. The estimated annual net revenue to be derived from the operation of any additions or improvements to or extensions of the City.

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under construction but not completed at the time of such certificate and
not being paid for out of the proceeds of sale of such Future Parity Bonds
being issued, and which net revenue is not otherwise included in any of the
sources of net revenue described in this subsection (d).

(5) The estimated annual net revenue to be derived from
the operation of any additions and improvements to or extensions of the
City being paid for out of the proceeds of sale of such Bonds being issued.

In the event the City will not derive any revenue as a result of the
construction of the additions, improvements or extensions being made or
to be made to the System within the provisions of subparagraphs (4) and
(5) immediately above, the estimated normal Costs of Maintenance and
Operation (excluding any transfer of money to other funds of the City and
license fees, taxes and payments in lieu of taxes payable to the City) of
such additions, improvements and extensions shall be deducted from
estimated annual net revenue.

The words “historical net revenue” or “net revenue” as used in this
subsection (d) shall mean the Revenue or any part or parts thereof less the
normal expenses of maintenance and operation of the System or any part
or parts thereof, but before depreciation.

Such “historical net revenue” or “net revenue” shall be adjusted to
reflect the rates and charges effective on the date of such certificate if
there has been any change in such rates and charges during or after such
12-consecutive-month period.

(e) Subordinate Lien Obligations. Nothing herein contained shall
prevent the City from issuing revenue bonds or other obligations which are
a charge upon the Revenue of the System junior or inferior to the
payments required by this ordinance to be made out of such Revenue to
pay and secure the payment of any outstanding Parity Bonds. Such junior
or inferior obligations shall not be subject to acceleration. This prohibition
against acceleration shall not be deemed to prohibit mandatory tender or
other tender provisions with respect to variable rate obligations or to

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prohibit the payment of a termination amount with respect to an Other Derivative Product or a Parity Derivative Product.

(f) **Refunding Obligations.** Nothing herein contained shall prevent the City from issuing revenue bonds to refund maturing Parity Bonds for the payment of which moneys are not otherwise available.

**SECTION 11. - Form of Bonds.** The Bonds shall be in substantially the following form, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby:

UNITED STATES OF AMERICA

No. _____

STATE OF WASHINGTON
CITY OF KENT

COMBINED UTILITY SYSTEM REVENUE BOND, SERIES 2009[____] [TAXABLE]

INTEREST RATE: MATURITY DATE: CUSIP NO.:

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT:

The City of Kent, Washington, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (herein called the "City") hereby acknowledges itself to owe and for value received promises to pay, but only from the sources and as hereinafter provided, to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from ___________, 2009, or the most recent date to which interest has been paid or duly provided for, at the Interest Rate set forth above, payable on December 1, 2009, and semiannually thereafter on the first days of each June and December until such principal sum is paid or payment has been duly provided for.

Both principal of and interest on this bond are payable in lawful money of the United States of America. Interest and principal shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") by the City to The Depository Trust Company ("DTC"). The fiscal agency of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Registrar"). Capitalized terms used in this bond that are not specifically defined have the meanings given such terms in Ordinance No. ______ of the City (the "Bond Ordinance"). Reference is made to the Bond Ordinance and any and all modifications and amendments thereto for
a description of the nature and extent of the security for the bonds of this issue, the funds or revenues pledged, and the terms and conditions upon which such bonds are issued.

This bond is one of an authorized issue of bonds of the City of like date and tenor except as to number, amount, rate of interest and date of maturity in the aggregate principal amount of $__________. This issue of bonds is authorized by the Bond Ordinance for the purposes of financing capital improvements to the combined water and sewer system of the City.

This bond and the bonds of this issue are payable solely from the special funds of the City defined as the “Bond Fund” in the Bond Ordinance. The City has irrevocably obligated and bound itself to pay into the Bond Fund out of the Revenue of the System or from such other moneys as may be provided therefor certain amounts necessary to pay and secure the payment of the principal and interest on such bonds. The bonds of this issue are not general obligations of the City.

[The bonds of this issue have been designated by the City as “qualified tax-exempt obligations” for investment by financial institutions under Section 265(b) of the Internal Revenue Code of 1986.] The bonds of this issue are not private activity bonds.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and duly adopted ordinances of the City. The City hereby covenants and agrees with the owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Ordinance to be by it kept and performed, and reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

The City does hereby pledge and bind itself to set aside from the Revenue Fund out of the revenue of the System and to pay into the Bond Fund and the Reserve Account the various amounts required by the Bond Ordinance to be paid into and maintained in such Fund and account, all within the times provided by the Bond Ordinance. To the extent more particularly provided by the Bond Ordinance, the amounts so pledged to be paid from the Revenue Fund out of the revenue of the System into the Bond Fund and the account therein shall be a lien and charge thereon equal in rank to the lien and charge upon said revenue of the Outstanding Parity Bonds and the amounts required to pay and secure the payment of revenue bonds of the City hereafter issued on a parity with the bonds of this issue and superior to all other liens and charges of any kind or nature except the Costs of Maintenance and Operation of the System.

The pledge of Revenue of the System and other obligations of the City under the Bond Ordinance may be discharged at or prior to the

Combined Utility System Revenue Bonds, Series 2009
maturity or redemption of the bonds of this issue upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

The bonds of this issue are subject to redemption prior to their stated maturities in accordance with the terms set forth in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

It is hereby certified that all acts, conditions, and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done, and performed precedent to and in the issuance of this bond have happened, been done, and performed.

IN WITNESS WHEREOF, the City of Kent, Washington has caused this bond to be signed with the facsimile or manual signature of the Mayor, to be attested by the facsimile or manual signature of the City Clerk and the seal of the City to be impressed, imprinted or otherwise reproduced hereon, all as of this ___ day of ___________, 2009.

CITY OF KENT, WASHINGTON

[SEAL]

By /s/ facsimile or manual
Mayor

ATTEST:

/s/ facsimile or manual
Clerk

The Registrar’s certificate authentication on the Bonds shall be in substantially the following form:
CERTIFICATE OF AUTHENTICATION

Date of Authentication: ___________, 2009

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Combined Utility System Revenue Bonds, Series 2009[___] [Taxable], dated ___________, 2009 of the City of Kent, Washington.

WASHINGTON STATE FISCAL AGENCY, Registrar

By __________________________
Authorized Signer

SECTION 12. - Execution of Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile signature of the Clerk, and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated, and delivered hereunder and are entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the City, such Bonds shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had executed such Bonds had not ceased to be such officers.

SECTION 13. - Defeasance. In the event that money and/or Governmental Obligations maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire any bonds payable out of the Bond Fund in accordance with their terms are

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irrevocably set aside in a special account to effect such redemption and retirement, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bonds and the owner of such Bonds shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the funds so set aside and pledged, and such Bonds shall be deemed not to be outstanding hereunder.

Within 45 days of any defeasance of Bonds, the City shall provide notice of defeasance of Bonds to Registered Owners of Bonds being defeased and to each party entitled to receive notice under Section 18 of this ordinance.

**SECTION 14.** - *Lost or Destroyed Bonds.* In case any Bonds shall be lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond or Bonds of like amount, date and tenor to the owner thereof upon the owner’s paying the expenses and charges of the Registrar and the City in connection therewith and upon his filing with the Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his ownership thereof, and upon furnishing the City and the Registrar with indemnity satisfactory to both.

**SECTION 15.** - *Sale of Bonds; Bond Insurance.*

(a) *Sale of Bonds.* The Bonds shall be sold in one or more series at negotiated sale to the Underwriters pursuant to the terms of the Bond Purchase Contract. The Designated Representative is hereby authorized to negotiate terms for the purchase of the Bonds and execute the Bond Purchase Contract, with such terms as are approved by such person pursuant to this section and consistent with this ordinance. The Underwriters have advised the City Council that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the City Council. The City Council has determined that it would be in the best interest of the City
to delegate to the Designated Representative for a limited time the authority to determine whether the Bonds shall be issued and sold in one or more series, determine whether any or all of the Bonds shall be issued as Tax-Exempt Bonds or as Taxable Bonds, approve the final interest rates, aggregate principal amount, principal amounts of each maturity of the Bonds and redemption rights. The Designated Representative is hereby authorized to determine whether the Bonds shall be issued and sold in one or more series, determine whether any or all of the Bonds shall be issued as Tax-Exempt Bonds or as Taxable Bonds, approve the final interest rates, aggregate principal amount, principal maturities and redemption rights for the Bonds in the manner provided hereafter so long as (a) the aggregate principal amount of the Bonds does not exceed $25,000,000; and (b) the true interest cost for the Bonds (in the aggregate) does not exceed 7.00%.

In determining the number of series, tax designation, whether or not to proceed with bond insurance and determining the final interest rates, aggregate principal amounts, principal maturities and redemption rights, the Designated Representative, in consultation with City staff, shall take into account those factors that, in his judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Bonds. Subject to the terms and conditions set forth in this Section 15, the Designated Representative is hereby authorized to execute the final form of the Bond Purchase Contract, upon the Designated Representative’s approval of the number of series, tax designation, final interest rates, aggregate principal amount, principal maturities and redemption rights set forth therein. Following the execution of the Bond Purchase Contract, the Designated Representative shall provide a report to the City Council, describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representative by this Section 15 shall expire 120 days after the effective date of this
ordinance. If a Bond Purchase Contract for the Bonds has not been executed within 120 days after the effective date of this ordinance, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the City Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 15.

Upon the passage and approval of this ordinance, the proper officials of the City including the Designated Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriter thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Bond Purchase Contract.

The Designated Representative is authorized to ratify and to approve for purposes of the Rule, on behalf of the City, the Official Statement (and any Preliminary Official Statement) (both as defined in the Bond Purchase Contract) relating to the issuance and sale of the Bonds and the distribution of the Official Statement pursuant thereto with such changes, if any, as may be deemed by him or her to be appropriate.

(b) **Bond Insurance Policy.** The Designated Representative is hereby further authorized and directed to solicit proposals from municipal bond insurance companies for the issuance of a Bond Insurance Policy. In the event that the Designated Representative receives multiple proposals, the Designated Representative may select the proposal having the lowest cost and resulting in an overall lower interest cost with respect to the Bonds. The Designated Representative may execute a commitment received from the Insurer selected by the Designated Representative. The

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City Council further authorizes and directs all proper officers, agents, attorneys and employees of the City to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the City as shall be necessary or advisable in providing for the Bond Insurance Policy.

**SECTION 16. - Application of Bond Proceeds.** The proceeds of the Bonds shall be deposited in the Project Funds in the amounts specified in the closing memorandum prepared in connection with the issuance of the Bonds. Such proceeds shall be used to pay the costs of or reimbursement for the costs of the Projects and costs of issuance of the Bonds. The Finance Director shall invest money in the Project Funds in such obligations as may now or hereafter be permitted to cities of the State by law and which will mature prior to the date on which such money shall be needed. Upon completion of the Projects, Bond proceeds (including interest earnings thereon) may be used for other approved capital projects of the System or shall be transferred to the Bond Fund.

The City may deposit proceeds of the Bonds or other available funds of the City in the Reserve Fund to meet the requirements of Section 8 hereof, or alternatively, may acquire Qualified Insurance or a Qualified Letter of Credit to satisfy such requirement.

**SECTION 17. - Derivative Products.** The City hereby reserves the right to enter into Parity Derivative Products and Other Derivative Products. The City may amend this ordinance to accommodate new or modified definitions of Debt Service in connection with a Parity Derivative Product, to implement the City's intent that regularly scheduled payments made by or received by the City in connection with a Parity Derivative Product be added to or deducted from, respectively, Debt Service on such Parity Bonds. The City may amend this ordinance to reflect the lien position and priority of any payments made in connection with a Parity Derivative Product; *provided, however*, that any lien to secure regularly
scheduled payments made in connection with a Parity Derivative Product may not be prior to the lien of the Parity Bonds and that any lien to secure nonregularly scheduled payments under Parity Derivative Products must be subordinate to the lien of Parity Bonds. If the City enters into a Parity Derivative Product, the City shall not be required to satisfy the conditions set forth in Section 10 of this ordinance with respect to the Parity Derivative Product provided that the conditions set forth in Section 10 of this ordinance are satisfied with respect to the associated Parity Bonds. Each Parity Derivative Product shall set forth the manner in which the City’s and its counterparty’s payments are to be calculated and a schedule of payment dates.

**SECTION 18.** - **Undertaking to Provide Ongoing Disclosure.**

(a) **Contract/Undertaking.** This section constitutes the City’s written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) **Financial Statements/Operating Data.** The City agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board (“MSRB”), the following annual financial information and operating data for the prior fiscal year (commencing in 2010 for the fiscal year ended December 31, 2009):

1. Annual financial statements, which statements may or may not be audited, showing ending fund balances for the System prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200;
   
2. The principal amount of Parity Bonds;
3. Debt service coverage for Parity Bonds;
4. Rates for the System; and
5. Number of customers of the System.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements of the City.
The information and data described above shall be provided on or before nine months after the end of the City’s fiscal year. The City’s current fiscal year ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents available to the public on the MSRB’s internet website and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the City shall provide the City’s audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(c) Material Events. The City agrees to provide or cause to be provided, in a timely manner to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Tax-Exempt Bonds;
- Modifications to the rights of Bond owners;
- Bond calls (optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856);
• Defeasances;
• Release, substitution or sale of property securing repayment of the Bonds; and
• Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the City advises that no debt service reserves or property secures payment of the Bonds.

(d) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in Subsection (b) above on or prior to the date set forth in Subsection (b) above.

(e) *EMMA; Format for Filings with the MSRB.* Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB’s Electronic Municipal Market Access system (“EMMA”), currently located at www.emma.msrb.org (which is not incorporated into this ordinance by reference). All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The City’s obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.
The City may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the City shall describe such amendment in the next annual report, and shall include a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Subsection (c) and (ii) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) Bond Owner’s Remedies Under This Section. The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the City’s obligations under this section, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this section, “beneficial owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

SECTION 19. - Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

Combined Utility System Revenue Bonds, Series 2009
SECTION 20. - Effective Date. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

SUZETTE COOKE, MAYOR

ATTEST:
BRENDA JACOBER, CITY CLERK

APPROVED AS TO FORM:
K&L GATES LLP
Special Counsel and Bond Counsel

PASSED: 4 day of August, 2009.
APPROVED: 4 day of August, 2009.
PUBLISHED: 8 day of August, 2009.
APPENDIX A

Projects

- Green River levees repair and replacement - series of levee improvements to increase flood protection.

- Storm drainage improvements, diversion to GRNRA project – diversion of stormwater from the S. 228th St. system upstream of 76th Ave. S., into the GRNRA. Improvement of the water quality in Mill Creek, and flood control.

- Mill Creek restoration, Smith to James Street, and James to Chandler Bay Drive - restoration and flood protection of Mill Creek in the vicinity of James Street.

- Upper Mill Creek diversion to detention dam, East of 104th Avenue Southeast, and outlet modifications project - increase the storage of the detention dam, update the outlet structure, and improve the fish passage system along the diversion.

- Mill Creek Culverts Replacement, Relocation/Restoration, 76th Avenue Corridor Project - removal of sediment in Mill Creek, expand the capacity of the creek, and improve the riparian stream buffer.

- Pump Station Improvement at James St and Mill Creek Project - improve floodwater containment along Mill Creek.

- Soos Creek (Soosette Creek/144th Ave SE culvert replacement) Project - replace a culvert to improve streamflow and decrease roadway flooding.

- Mill Creek improvements - Stormwater drainage facility improvements within the Mill Creek drainage system.

- National Pollutant Discharge Elimination System ("NPDES") Phase II Permit - implementing the various provisions of the permit, which includes monitoring activities related to the permit, public involvement/education, grant preparation, illicit discharge detection and overall water quality program within the City.

- GRNRA outlet and maintenance improvements project - Improvements along the outlet to improve flood control along Mill Creek and improve downstream water quality.

- SE 256th St., 116th to Kent Kangley, stormwater project - addition of a curb and gutter, stormwater pipe, detention facilities and water quality facilities for the widening of the street.
• S 224th Street Extension stormwater project - addition of a curb and gutter, stormwater pipe, detention and water quality facilities for the widening of street.

• Springwood Apartments, Smith and Lincoln stormwater projects - Replacement of stormwater pipes that have been damaged and risk a potential flood hazard.

• Miscellaneous drainage improvements - stormwater capital projects designed by City Engineering staff.

• Riverview Park project – a new side channel adjacent to the main stem of the Green River.

• Drainage infrastructure replacements - replacement of storm water conveyances, failing pipe sections, and catch basins.

• Miscellaneous wetland facility upgrade projects - maintenance, repair, and replacement of wetlands.

• Roadway drainage improvements - stormwater conveyance, detention and water quality systems necessary for projects within the City’s Transportation Improvement Program.

• Miscellaneous Habitat Improvements - acquisition of properties containing critical areas and their buffers.

• North Fork Meridian Valley Creek restoration, South 236th Place culvert project – replacement of an undersized culvert to provide the necessary flow capacity and meet fish passage requirements.

• Storm drainage improvements, South 196th and 84th Avenue Project – replacement of a deficient storm conveyance system and update of a stormwater pump system.

• Mill Creek trunk stormwater drainage, restoration at senior center, Titus project - flood system improvement on Mill Creek between Titus Avenue and Smith Street.

\[\text{A-2}\]

Combined Utility System Revenue Bonds, Series 2009
CERTIFICATION

I, the undersigned, City Clerk of the City of Kent, Washington (the "City"), hereby certify as follows:

1. The attached copy of Ordinance No. _____ (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on August 4, 2009, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect after publication in the City’s official newspaper; and

2. A quorum of the members of the City Council was present throughout the meeting and a majority of those members present voted in the proper manner for the passage of the Ordinance.

IN WITNESS WHEREOF, I have hereunto set my hand this 4th day of August, 2009.

CITY OF KENT, WASHINGTON

[Signature]

Brenda Jacober, City Clerk
STATE OF WASHINGTON, COUNTY OF KING
AFFIDAVIT OF PUBLICATION

PUBLIC NOTICE
Linda M Mills, being first duly sworn on oath that she is the Legal Advertising Representative of the

Kent Reporter

a bi-weekly newspaper, which newspaper is a legal newspaper of general circulation and is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a bi-weekly newspaper in King County, Washington. The Kent Reporter has been approved as a Legal Newspaper by order of the Superior Court of the State of Washington for King County.
The notice in the exact form annexed was published in regular issues of the Kent Reporter (and not in supplement form) which was regularly distributed to its subscribers during the below stated period. The annexed notice, a:

Public Notice

was published on August 8, 2009.

The full amount of the fee charged for said foregoing publication is the sum of $101.50.

Linda M. Mills
Legal Advertising Representative, Kent Reporter
Subscribed and sworn to me this 10th day of August 2009.

Kathy Dalseg, Notary Public for the State of Washington, Residing in Covington, Washington
P. O. Number: