ORDINANCE NO. 4259

AN ORDINANCE of the City Council of the City of Kent, Washington, authorizing the issuance of combined utility system revenue refunding bonds in the aggregate principal amount of not to exceed $16,000,000 for the purpose of refunding, on a crossover basis, a portion of the City's combined utility system revenue bonds series 2009B taxable (Build America Bonds - Direct Payment); providing the form, terms and covenants of the bonds; delegating certain authority to approve the final terms of the bonds; and authorizing other matters related thereto.

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 previously combined the Water Utility and the System of Sewerage (hereinafter defined as the “System”) for the purpose of debt issuance; and

D. The City currently has outstanding its Combined Utility

Combined Utility System Revenue Refunding Bonds
System Revenue Bonds, Series 2009A (the “2009A Bonds”) and its
Combined Utility System Revenue Bonds, Series 2009B Taxable (Build
America Bonds – Direct Payment) (the “2009B Bonds” and together with
the 2009A Bonds, the “Outstanding Parity Bonds”), issued on
September 3, 2009 pursuant to Ordinance No. 3925 passed by the City
Council on August 4, 2009 (the “2009 Bond Ordinance”); and

E. The 2009 Bond Ordinance provides that additional combined
utility system revenue bonds may be issued with a lien on Net Revenues
(as defined herein) on a parity with the lien of the Outstanding Parity
Bonds if certain conditions are met; and

F. The 2009 Bond Ordinance provides that the 2009B Bonds
maturing on December 1, 2024 and December 1, 2029 are subject to
optional redemption prior to maturity beginning on December 1, 2019, in
whole or in part at any time, at a price of par plus accrued interest to the
date of redemption; and

G. After due consideration it appears to the City Council that
such 2009B Bonds may be refunded on a crossover basis by proceeds of
combined utility system revenue bonds authorized herein (the “Bonds”) at
a savings to the City and its ratepayers; and

H. The City Council wishes to delegate authority to the Mayor
(the “Designated Representative”) for a limited time, to approve the
interest rates, maturity dates, redemption terms, and other terms for the
Bonds within the parameters set by this ordinance; and

Combined Utility System
Revenue Refunding Bonds
I. The Bonds shall be sold by negotiated sale as set forth herein;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENT, WASHINGTON, DOES HEREBY ORDAIN AS FOLLOWS:

**ORDINANCE**

**SECTION 1. - Definitions and Interpretation of Terms.**

(a) **Definitions.** As used in this ordinance, the following words shall have the following meanings:

*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.

*Acquired Obligations* means the Government Obligations acquired by the City under the terms of this ordinance and the Escrow Agreement, but only to the extent that the same are acquired at Fair Market Value.
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 Counsel means Pacifica Law Group LLP or an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions.

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 Purchase Contract means the contract for the purchase of the Bonds between the Underwriter and the City, executed pursuant to this ordinance.
Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means, initially, the fiscal agent of the State, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

Bonds mean the City's Combined Utility System Revenue Refunding Bonds, with such series designation as approved by the Designated Representative, authorized to be issued by 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.

Chief Administrative Officer means the Chief Administrative Officer of the City or the successor to such officer.

City means the City of Kent, Washington, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State.
City Council or Council means the City Council as the general legislative authority of the City, as duly and regularly constituted from time to time.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bond, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commission means the Securities and Exchange Commission.

Common Reserve Bonds mean (a) the Outstanding Parity Bonds and (b) those Future Parity Bonds designated in the ordinance authorizing their issuance as Common Reserve Bonds secured by the Common Reserve Account. The Bonds are not “Covered Bonds” (as that term is used in the 2009 Bond Ordinance) or Common Reserve Bonds.

Common Reserve Account means the Debt Service Reserve Account maintained within the Bond Fund for the purpose of securing Common Reserve Bonds.

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 in connection with the issuance of Future Parity Bonds and making the related calculations, 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.

*Continuing Disclosure Certificate* means the written undertaking for the benefit of the owners and Beneficial Owners of the Bonds as required by Section (b)(5) of the Rule.

*Contract Resource Obligation* means an obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 6 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 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 corporations, but shall not include any
payments for principal or interest or into the Common Reserve Account or any other Parity Bond 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 by the City pursuant to this ordinance.

*Crossover Date* means December 1, 2019.

*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 9 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 calculated net of any interest funded out of Parity Bond proceeds. From and after the date that the Outstanding Parity Combined Utility System Revenue Refunding Bonds
Bonds are defeased, redeemed, or otherwise no longer outstanding, Debt Service for purposes of the Parity Requirement and the Rate Covenant shall be calculated net of any principal and interest scheduled to be paid out of Parity 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, or his or her designee. If the Mayor is absent or otherwise unavailable and has not designated another representative, the Mayor Pro Tempore of the City, or his or her designee, shall serve as the Designated Representative.

*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 initial depository for the Bonds.

Escrow Agreement means the Escrow Deposit Agreement between the City and the Escrow Agent to be dated as of the date of closing and delivery of the Bonds.

Fair Market Value means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation §1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

Federal Tax Certificate means the Federal Tax Certificate signed by the Finance Director pertaining to the tax-exemption of interest on the Bonds.

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, Moody's or Kroll) 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 Outstanding Parity Bonds and 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 or the United States of America.

Government Obligations means those obligations now or hereafter defined as such in chapter 39.53 RCW constituting direct obligations of the United States or obligations unconditionally guaranteed by the United States, as such chapter may be hereafter amended or restated.

Kroll means Kroll Bond Rating Agency, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Kroll shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P, Fitch and Moody’s) designated by the Finance Director.
Letter of Representations means the Blanket Issuer Letter of Representations from the City to DTC, as amended from time to time.

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.

Mayor means the duly elected Mayor of the City or the successor to such officer.

Moody's means Moody’s Investors Service, its successors and 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, Fitch and Kroll) designated by the Finance Director.

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

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

Official Statement means the disclosure documents prepared and delivered in connection with the issuance of the Bonds.

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.

**Outstanding Parity Bonds** mean the outstanding 2009A Bonds and 2009B Bonds.

**Parity Bond Reserve Account** means any reserve fund or account established by the City for the purpose of securing the payment of the principal of and interest on one or more series of Parity Bonds. The Common Reserve Account is a Parity Bond Reserve Account.

**Parity Bonds** means the Outstanding Parity Bonds, 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.

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 applicable Parity 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 will be in an amount 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:

(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. From and after the date that the Outstanding Parity Bonds are defeased, redeemed, or otherwise no longer outstanding, the term Rating Agency shall mean Moody’s, S&P, Fitch, Kroll, or any rating agency then maintaining a rating for the Bonds.

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.

Record Date means the close of business for the Bond Registrar that is 15 days preceding any interest and/or principal payment or redemption date.
Refunded Bonds means the 2009B Bonds maturing after December 1, 2019.

Refunding Account means the account by that name established pursuant to Section 15.

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 or its nominee shall be deemed to be the sole Registered Owner.

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

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

1. Maximum Annual Debt Service for Common Reserve Bonds,

2. 10% of the initial principal amount of Common Reserve Bonds of each series, and

3. 125% of average annual debt service for Common Reserve 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, which may be zero.

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 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 S&P Global Ratings, its successors and 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, Fitch, and Kroll) designated by the Finance Director.

State means the State of Washington.

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 Code to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

_Term Bonds_ means any Parity Bonds designated by the City as term bonds 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.

_2009 Bond Ordinance_ means Ordinance No. 3925 passed by the City Council on August 4, 2009 authorizing the issuance of the 2009A Bonds and the 2009B Bonds.

_2009A Bonds_ mean the City's Combined Utility System Revenue Bonds, Series 2009A issued on September 3, 2009 in the original aggregate principal amount of $9,120,000 pursuant to the 2009 Bond Ordinance.

_2009B Bonds_ mean the City's Combined Utility System Revenue Bonds, Series 2009B Taxable (Build America Bonds – Direct Payment) issued on September 3, 2009 in the original aggregate principal amount of $15,880,000 pursuant to the 2009 Bond Ordinance.
Underwriter means KeyBanc Capital Markets Inc., or its successors.

**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 or feminine gender shall mean and include correlative words of any gender 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; and

(f) Words importing the singular number include the plural number and vice versa.
SECTION 2. - Findings Regarding Parity Provisions. As required by Section 10 of the 2009 Bond Ordinance, the City Council hereby finds that the City has not been in default of the Rate Covenant for the immediately preceding fiscal year, this ordinance contains the covenants required by the 2009 Bond Ordinance, and prior to the issuance of the Bonds the City will have on file a certificate demonstrating satisfaction of the Parity Requirement and the other conditions for the issuance of Future Parity Bonds set forth in such section.

The conditions contained in the 2009 Bond Ordinance having been complied with or assured, the payments required herein to be made out of the Revenue Fund into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds shall constitute a lien and charge upon the money in the Revenue Fund equal in rank with the lien and charge thereon for the payments required to be made for the Outstanding Parity Bonds.

SECTION 3. - Authorization and Description of Bonds. The City is hereby authorized to issue combined utility system revenue refunding bonds (the “Bonds”) in a principal amount of not to exceed $16,000,000 for the purpose of providing the funds necessary (a) to refund the Refunded Bonds on a crossover basis, (b) to pay interest on the Bonds on and prior to the Crossover Date, and (c) to pay all or a portion of the costs incidental to the foregoing and to the issuance of the Bonds.

The Bonds shall be designated the “City of Kent, Washington, Combined Utility System Revenue Refunding Bonds” with such series
designation as set forth in the Bonds and approved by the Designated Representative. The Bonds shall be dated as of the date of 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 maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; shall bear interest from their date payable on the dates and commencing as provided in the Bond Purchase Contract; and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract, as approved and executed by the Designated Representative pursuant to this ordinance.

SECTION 4. - Registration, Exchange and Payments.

(a) Bond Registrar/Bond Register. The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agents. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its designated office. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Director. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the Combined Utility System Revenue Refunding Bonds.
duties of the Bond Registrar hereunder. The Bond 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 Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) Registered Ownership. The City and the Bond 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 the Continuing Disclosure Certificate), and neither the City nor the Bond 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), 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/Letters of Representations. The Bonds initially shall be held by DTC acting as depository. The City has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond Registrar shall 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 Bond 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 by a depository, DTC or its successor depository or its nominee shall be deemed to be the Registered Owner for all purposes hereunder, 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.

(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 the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such 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 Finance Director 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 Bond 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 maturity of that series 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.

(4) 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 physical 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 by a depository. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the
Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds of such series 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 it is surrendered to the Bond 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 Bond Registrar. Upon such surrender, the Bond 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, 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 Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to
exchange any Bond during the period from the Record Date to the redemption or payment date.

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

(g) Place and Medium of Payment. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30 day months. For so long as all Bonds are held by a depository, payments of principal thereof and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held by a depository, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than $1,000,000 of Bonds (received by the Bond Registrar at least by the Record Date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon
presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Bond is duly presented for payment and funds have not been provided by the City on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the Bond until the Bond is paid.

**SECTION 5. – Redemption and Purchase of Bonds.**

(a) *Mandatory Redemption of Term Bonds and Optional Redemption.* The Bonds shall be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract and as approved by the Designated Representative pursuant to this ordinance. The Bonds shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract approved by the Designated Representative pursuant to this ordinance.

(b) *Purchase of Bonds.* The City reserves the right to use at any time (i) 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 (ii) other legally available City funds, to purchase for retirement any of the Bonds at any price deemed reasonable by the City.

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.

(c) Selection of Bonds for Redemption. For as long as the Bonds are held in book entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held by a depository, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c). 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 by lot (or in such manner determined by the Bond Registrar) in increments of $5,000. In the case of a Bond of a denomination greater than $5,000, the City and the Bond 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. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.
(d) Notice of Redemption.

(1) Official Notice. For so long as the Bonds are held by a depository, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar shall provide any notice of redemption to any beneficial owners. The notice of redemption may be conditional. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 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 Bond 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) any conditions to redemption,
(E) that unless conditional notice of redemption has been given and such conditions have either been satisfied or waived, on the redemption date the redemption price shall 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

(F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Bond Registrar.

On or prior to any redemption date, unless such redemption has been rescinded or revoked, the City shall deposit with the Bond 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. The City retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) **Effect of Notice; Bonds Due.** If notice of redemption has been given and not rescinded or revoked, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date 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 Bond 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. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

(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 series and 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 20 days before the redemption date to each party entitled to receive notice pursuant to this ordinance and the Continuing Disclosure Certificate and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.
(4) **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 deemed necessary in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

**SECTION 6. - Priority and Payment from the Revenue Fund.**

(a) **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 Payments from the Revenue Fund.** 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 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 Common Reserve Account for Common Reserve Bonds and to any other Parity Bond 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;

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, and

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 subsection (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 subsection (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. - Security for the Bonds.**

(a) *Pledge of Amounts on Deposit in the Escrow Fund.* Until proceeds of the Bonds and other funds on deposit in the Escrow Fund are required to be used to redeem the Refunded Bonds on the Crossover Date, proceeds of the Bonds and other funds, and the income therefrom shall be used to pay and secure the payment of the principal of, if any, and interest on the Bonds. The City hereby irrevocably pledges proceeds of the Bonds and other funds, and the income therefrom to the payment of the principal of, if any, and interest on the Bonds on and prior to the Crossover Date. From and after the Crossover Date, without further action on the part of the City or any Registered Owner of the Bonds, the Bonds will be payable from and secured solely by amounts on deposit in the Bond Fund as provided herein, and will no longer be payable from or secured by any amounts remaining in the Escrow Fund (if any).

(b) *Bond Fund.* The City has previously established the Bond Fund for the payment of the debt service on all Parity Bonds. 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 Bonds remain outstanding and to the to the extent such Parity Bonds are not paid from other sources, 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 such Parity Bonds on or before each date on which an installment of interest or principal and interest falls due on Parity Bonds equal to the amount required to pay the installment of interest or principal and interest then coming due and not payable from other sources.

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 (if any) as the same are collected.

The Bonds shall not be subject to acceleration upon the occurrence of a default.

(c) Payments into Common Reserve Account. The City has also previously established the Common Reserve Account within the Bond Fund as a common reserve, securing the repayment of those Parity Bonds that are designated as Common Reserve Bonds in the ordinance authorizing their issuance. The Bonds are not Common Reserve Bonds and are not expected to be secured by any Parity Bond Reserve Account; provided, however, the Designated Representative may, if determined to be in the best interest of the City, establish a Parity Bond Reserve Account and the

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associated Reserve Requirement and pledge such funds to the payment of principal of and interest on the Bonds. Provisions related to any such Parity Bond Reserve Account shall be set forth in the Bond Purchase Contract or certificate executed by the Designated Representative at the time of issuance and delivery of the Bonds.

The Common Reserve Account shall be maintained for the purpose of securing the payment of the principal of and interest on all Common Reserve Bonds. 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 Common 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 Common Reserve Account may be satisfied initially by the transfer of qualified investments to such account.

In the event the City issues any Future Parity Bonds that are Common Reserve Bonds, it will provide in the ordinance authorizing the issuance of the same for payment into the Common 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 (or the date that such Future Parity Bonds become Common Reserve Bonds, whichever is later) there will have been deposited into the Common 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 Common 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 Common 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 Common Reserve Account to pay the principal of and interest on all outstanding Common Reserve Bonds, the money in the Common Reserve Account may be used to pay such principal and interest. As long as the money left remaining on deposit in the Common Reserve Account is equal to the Reserve Requirement, money in the Common Reserve Account may be transferred to the Bond Fund and used to pay the principal of and interest on Common Reserve Bonds as the same becomes due and payable. The City also may transfer out of the Common 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 Common Reserve Bonds shall occur, such deficiency shall be made up from the Common Reserve Account by the withdrawal of cash therefrom.
for that purpose and by the sale or redemption of obligations held in the
Common Reserve Account, in such amounts as will provide cash in the
Common Reserve Account sufficient to make up any such deficiency with
respect to Common Reserve Bonds, and if a deficiency still exists
immediately prior to an interest payment date and after the withdrawal of
cash, the City shall then draw from any Qualified Letter of Credit or
Qualified Insurance for Common Reserve 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 Common Reserve
Account required by this Section 7(c), 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 Common
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 Common Reserve Account by this Section 7(c) 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 Common 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 Common Reserve Account shall be funded as if the Common Reserve 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 in accordance with the priority of payments set forth in Section 6(b) of this ordinance.

(d) **Priority of Lien of Payments.** There are hereby pledged as security for the payment of the principal of, premium, if any, and interest on all Parity Bonds, Revenue of the System, subject to the payment of Costs of Maintenance and Operation, and ULID Assessments. The amounts so pledged to be paid into the Bond Fund and any Parity Bond Reserve Account from the Revenue Fund are hereby declared to be a prior lien and charge upon the Revenue of the System 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 for the payment of the principal of and interest on any Parity Bonds and other obligations which may be issued on a parity of lien thereof. Further, the amounts so pledged to be paid into the Bond Fund and any Parity Bond Reserve Account from ULID Assessments are hereby declared to be a prior lien and charge upon ULID Assessments superior to all other charges of any kind or nature, except that the amounts so pledged are of equal lien to the charges upon such ULID Assessments for the payment of the principal of and interest on any Parity Bonds.

(e) Application and Investment of Moneys in the Bond Fund and any Parity Bond Reserve Account. Money in the Bond Fund and any Parity Bond Reserve Account may be kept in cash or invested as permitted by law, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. 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 any Parity Bond Reserve Account shall mature not later than the last maturity of any then outstanding Parity Bonds.

(f) Sufficiency of Revenues. The City Council hereby finds that in fixing the amounts to be paid into the Bond Fund and any Parity Bond 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 any Parity Bond

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Reserve Account a greater amount of such Revenue than in its judgment will be available over and above the Costs of Maintenance and Operation.

(g) Special Obligations. The Bonds shall be special fund obligations of the City payable solely from and secured solely by the sources identified herein. The Bonds do not constitute an indebtedness or general obligation of the City or the State, either general or special, within the meaning of the constitutional provisions and limitations of the State, but are special obligations of the City payable solely out of the funds and revenues identified herein. Owners of the Bonds shall not have any claim for the payment thereof against the City except for payment from the funds and revenues identified herein. Owners of the Bonds do not have any claim against the State for the payment for the principal of or interest on the Bonds. Tax revenues of the City shall not be used directly or indirectly to secure or guarantee the payment of the principal of or interest on the Bonds.

SECTION 8. - Covenants. The City covenants and agrees with the Registered Owners of the Bonds as follows:

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

   1. 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 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 the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System, and it will furnish the Registered Owners 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 principal of and interest on the 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 Parity 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.** The City will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is
permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds, including but not limited to the following:

(a) *Private Activity Bond Limitation.* The City will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) *Limitations on Disposition of Projects.* The City will not sell or otherwise transfer or dispose of (i) any personal property components of the projects refinanced with proceeds of the Bonds (the “Projects”) other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4) or (ii) any real property components of the Project, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes.

(c) *Federal Guarantee Prohibition.* The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) *Rebate Requirement.* The City will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

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(e) **No Arbitrage.** The City will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(f) **Registration Covenant.** The City will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code until all Bonds have been surrendered and canceled.

(g) **Record Retention.** The City will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least three years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(h) **Compliance with Federal Tax Certificate.** The City will comply with the provisions of the Federal Tax Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.
SECTION 10. - Future Parity Bonds.

(a) Conditions upon the Issuance of Future Parity Bonds. As long as 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) If the Future Parity Bonds are to be issued as Common Reserve Bonds, the ordinance authorizing the issuance of such Future Parity Bonds shall include the covenants provided in Section 7 hereof related to the Common Reserve Account; 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 will not 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 but not including the bonds to be refunded thereby) 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 certificate of the Designated Representative 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 (as defined below) of the System for the Base Period as determined by a Consultant.

2. The net revenue derived from those customers of the System 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 System 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 System being paid for out of the proceeds of sale of such Future Parity 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

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Combined Utility System Revenue Refunding Bonds
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.

(f) **No Acceleration.** Such Future Parity Bonds and 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 prohibit the payment of a termination amount with respect to an Other Derivative Product or a Parity Derivative Product.

(g) **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. - 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 12. - Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference.

SECTION 13. - Execution of Bonds. The Bonds shall be executed on behalf of the City by the facsimile or manual signature of the Mayor and shall be attested to by the facsimile or manual signature of the City Clerk, and shall have the seal of the City impressed or a facsimile thereof imprinted, or otherwise reproduced thereon.

In the event any officer who shall have signed or whose facsimile signatures appear on any of the Bonds shall cease to be such officer of the City before said Bonds shall have been authenticated or delivered by the Bond Registrar or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the City as though said person had not ceased to be such officer. Any Bond may be signed and attested on behalf of the City by such persons who, at the actual date of execution of such Bond shall be the proper officer of the City, although at the original date of such Bond such persons were not such officers of the City.

Only such Bonds as shall bear thereon a Certificate of Authentication manually executed by an authorized representative of the Bond 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.

**SECTION 14. - Defeasance.** In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from the Bond Fund or such special account, and such Bond shall be deemed to be not outstanding under this ordinance. The City shall give written notice of defeasance of the Bonds in accordance with the Continuing Disclosure Certificate.

**SECTION 15. - Sale of Bonds.**

(a) **Bond Sale.** The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Bond Purchase Contract. The 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 approve the final interest rates, aggregate principal amount, principal amounts of each maturity of the Bonds, and redemption rights for the Bonds.

The Designated Representative is hereby authorized to approve the final interest rates, aggregate principal amount, principal amounts of each maturity of the Bonds, and redemption rights for the Bonds in the manner provided hereafter so long as:

(i) the aggregate principal amount of Bonds issued pursuant to this ordinance does not exceed $16,000,000,

(ii) the final maturity date for the Bonds is no later than December 1, 2029,

(iii) the Bonds are sold (in the aggregate) at a price not less than 97% and not greater than 130%,

(iv) the Bonds are sold for a price that results in a minimum aggregate net present value debt service savings over the Refunded Bonds (calculated by deducting scheduled federal subsidy payments with respect to the Refunded Bonds from annual debt service and assuming no future sequestration of such payments) of at least 3%,

(v) the true interest cost for the Bonds (in the aggregate) does not exceed 3%, and

(vi) the Bonds conform to all other terms of this ordinance.

Subject to the terms and conditions set forth in this section, the Designated Representative is hereby authorized to execute the Bond Purchase Contract.
Following the execution of the Bond Purchase Contract, the Finance Director shall provide a report to the 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 on June 1, 2018. If the Bonds authorized herein have not been sold by June 1, 2018, the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the 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.

(b)  Delivery of Bonds; Documentation. Upon the passage and approval of this ordinance, the proper officials of the City, including the Designated Representative, the Finance Director and Chief Administrative Officer, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of each series of Bonds in accordance with the terms of this ordinance and the Bond Purchase Contract. Such documents may include, but are not limited to, documents related to a municipal bond insurance policy delivered by an insurer to insure the payment when due of the principal of and interest on the Bonds as provided therein, if such
insurance is determined by the Designated Representative to be in the best interest of the City.

(c) Preliminary and Final Official Statements. The Finance Director is hereby authorized to approve and to deem final the preliminary Official Statement for the purposes of the Rule. The Finance Director is further authorized to approve for purposes of the Rule, on behalf of the City, the final Official Statement relating to the issuance and sale of the Bonds and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed by him or her to be appropriate.

SECTION 16. - Application of Bond Proceeds.

(a) Distribution of Funds. Proceeds of the Bonds shall be distributed as follows:

(1) The amount stated in the closing memorandum for the Bonds shall be deposited with the Escrow Agent pursuant to the Escrow Agreement and used to pay costs of issuance for the Bonds; and

(2) The remaining proceeds of the Bonds shall be deposited with the Escrow Agent pursuant to the Escrow Agreement and used as provided in subsection (b) below.

(b) Plan of Crossover Refunding. For the purpose of realizing an aggregate debt service savings and benefiting the ratepayers of the City, the City proposes to refund the Refunded Bonds on a crossover basis as set forth herein.
Net proceeds of the Bonds and other available funds of the City, if any, shall be deposited into the Escrow Fund held by the Escrow Agent pursuant to the Escrow Agreement and invested in certain Government Obligations, the principal of and interest on which shall be used, together with other funds deposited with the Escrow Agent as cash, if any, (i) to pay the interest due on the Bonds on and prior to the Crossover Date and (ii) to pay the redemption price of the Refunded Bonds (but not any interest due) on the Crossover Date.

The Refunded Bonds shall remain outstanding until the Crossover Date and the City shall pay the principal and interest due on the Refunded Bonds on each applicable payment date to and including the Crossover Date from the Bond Fund as provided in the 2009 Bond Ordinance. Prior to the Crossover Date, the Refunded Bonds shall not be considered reissued, defeased or redeemed for any purpose, including but not limited to for purposes of federal tax law.

Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

U.S. Bank National Association, Seattle, Washington, is hereby appointed as Escrow Agent. The proceeds of the Bonds remaining after acquisition of the Acquired Obligations and provision for the necessary cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds.
In order to carry out the purposes of this section, the Finance Director is hereby authorized and directed to execute and deliver to the Escrow Agent an Escrow Agreement.

The City hereby calls the Refunded Bonds for redemption on the Crossover Date in accordance with the provisions of the 2009 Bond Ordinance authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities. Said call for redemption of the Refunded Bonds shall be irrevocable after the issuance of the Bonds and delivery of the Acquired Obligations to the Escrow Agent. The Finance Director and the Escrow Agent are hereby authorized and directed to provide for the giving of notices of the redemption in accordance with the provisions of the 2009 Bond Ordinance. The costs of publication of such notices shall be an expense of the City.

**SECTION 17. - Ongoing Disclosure; Additional Covenants.** The City covenants to execute and deliver at the time of issuance and delivery of the Bonds a Continuing Disclosure Certificate. The Designated Representative is hereby authorized to execute and deliver such Continuing Disclosure Certificate upon the issuance, delivery and sale of the Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the City.

**SECTION 18. - Lost, Stolen or Destroyed Bonds.** In case any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, date and tenor to the Registered Owner thereof if the owner pays the expenses and charges of
the Bond Registrar and the City in connection therewith and files with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership thereof, and furnishes the City and the Bond Registrar with indemnity satisfactory to both.

**SECTION 19. - Contract; Savings Clause.** The covenants contained in this ordinance and in the Bonds shall constitute a contract between the City and the Registered Owners of the Bonds. 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 and after final appeal (if any appeal be taken) 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 in this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

**SECTION 20. - General Authorization; Ratification.** The Designated Representative, the Finance Director, the Chief Administrative Officer, the City Clerk, and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.
SECTION 21. - Certain Amendments. Without further action of the City Council, the Designated Representative may approve provisions in the Bond Purchase Contract that are deemed necessary, upon the advice of Bond Counsel, in order to effect the crossover advance refunding of the Refunded Bonds notwithstanding any inconsistency with the provisions set forth in this ordinance.

SECTION 22. - Corrections by City Clerk or Code Reviser. Upon approval of the city attorney, the city clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; ordinance, section, or subsection numbering; or references to other local, state, or federal laws, codes, rules, or regulations.

SECTION 23. - Effective Date of Ordinance. This ordinance shall take effect thirty (30) days after its passage as provided by law.

SUZETTE COOKE, MAYOR

Date Approved

KIMBERLEY A. KOMOTO, CITY CLERK

Date Adopted

Date Published
APPROVED AS TO FORM:

PACIFICA LAW GROUP LLP

[Signature]
Bond Counsel to the City

Combined Utility System
Revenue Refunding Bonds
APPROVED AS TO FORM:

PACIFICA LAW GROUP LLP

Bond Counsel to the City
Exhibit A

Form of Bond

[DTCLANGUAGE]

UNITED STATES OF AMERICA

NO. _____ $____

STATE OF WASHINGTON
CITY OF KENT

COMBINED UTILITY SYSTEM REVENUE REFUNDING BOND, SERIES 20____

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 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 __________, 20____, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on __________, and semiannually thereafter on the first days of each succeeding ______ and ____. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agent 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 “Bond Registrar”). For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company (“DTC”) referred to in the Blanket Issuer Letter of Representations (the “Letter of Representations”) from the City to DTC.

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 Ordinance No. _______ duly passed by the City Council on November 21, 2017 (the “Bond Ordinance”). Capitalized terms used in
this bond have the meanings given such terms in 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 this bond, the funds or revenues pledged, and the terms and conditions upon which such bond is issued.

The bonds of this issue are being issued for the purpose of refunding, on a crossover basis, a portion of the Combined Utility System Revenue Bonds, Series 2009B Taxable (Build America Bonds – Direct Payment) (the “Refunded Bonds”), paying interest on this bond on and prior to the Crossover Date (as defined below), and paying costs of issuance of this bond.

The bonds of this issue are subject to redemption as provided in the Bond Ordinance and the Bond Purchase Contract.

The bonds of this issue have not been designated by the City as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended (the “Code”).

Pursuant to RCW 39.53.070, until proceeds of the Bonds and other funds on deposit in the escrow fund (the “Escrow Fund”) are required to be used to redeem the Refunded Bonds on December 1, 2019 (the “Crossover Date”), proceeds of the Bonds and other funds, and the income therefrom shall be used to pay and secure the payment of the principal of, if any, and interest on the bonds of this issue. The City hereby irrevocably pledges proceeds of the bonds of this issue and other funds, and the income therefrom to the payment of the principal of, if any, and interest on the bonds of this issue on and prior to the Crossover Date. From and after the Crossover Date, without further action on the part of the City or any Registered Owner of the Bonds, the Bonds will be payable from and secured solely by amounts on deposit in the Bond Fund as provided in the Bond Ordinance, and will no longer be payable from or secured by any amounts remaining in the Escrow Fund (if any).

The City has irrevocably obligated and bound itself to pay into the Bond Fund out of the Net Revenue and ULID Assessments, if any, 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 the bonds of this issue and other Parity Bonds.

The City does hereby pledge and bind itself to set aside from the Revenue Fund out of the Revenue of the System and ULID Assessments, if any, and to pay into the Bond Fund the various amounts required by the Bond Ordinance to be paid into and maintained in such Fund, 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 shall be a lien and charge thereon equal in rank to the lien and charge upon said revenue of the amounts required to pay and secure the payment of the Outstanding Parity Bonds and any 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 Costs of Maintenance and Operation of the System.

The bonds of this issue are special fund obligations of the City payable solely from and secured solely by the sources identified in the Bond Ordinance. The bonds of this issue do not constitute an indebtedness or general obligation of the City or the State, either general or special, within the meaning of the constitutional provisions and limitations of the State, but are special obligations of the City payable solely out of the funds and revenues identified in the Bond Ordinance. Owners of the bonds of this issue shall not have any claim for the payment thereof against the City except for payment from the funds and revenues identified therein. Owners of the Bonds do not have any claim against the State for the payment for the principal of or interest on the bonds of this issue. Tax revenues of the City shall not be used directly or indirectly to secure or guarantee the payment of the principal of or interest on the bonds of this issue.

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 owners 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.

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 or on behalf of the Bond Registrar or its duly designated agent.

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, all as of this _____ day of ____________, 2017.
CITY OF KENT, WASHINGTON

[SEAL]

By /s/ facsimile or manual_______
Mayor

ATTEST:

_____/s/ facsimile or manual________
City Clerk

The Bond Registrar’s Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Combined Utility System Revenue Refunding Bonds, 2017 of the City of Kent, Washington, dated ____________, 2017.

WASHINGTON STATE FISCAL AGENT, as Bond Registrar

By ________________
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 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 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 December 1, 2017.

The full amount of the fee charged for said foregoing publication is the sum of $217.69.

Linda Mills
Legal Advertising Representative, Kent Reporter
Subscribed and sworn to me this 1st day of December, 2017.