

ORDINANCE NO 2423

AN ORDINANCE RELATING TO THE WATERWORKS UTILITY OF THE CITY, SPECIFYING, ADOPTING AND ORDERING THE CARRYING OUT OF ADDITIONS TO AND BETTERMENTS AND EXTENSIONS OF THE WATERWORKS UTILITY, PROVIDING FOR THE ISSUANCE OF \$11,755,000 AGGREGATE PRINCIPAL AMOUNT OF WATER AND WASTEWATER REVENUE BONDS, 2008, OF THE CITY TO PROVIDE PART OF THE FUNDS WITH WHICH TO PAY THE COST OF CARRYING OUT SUCH ADDITIONS, BETTERMENTS AND EXTENSIONS AND THE COSTS OF ISSUANCE AND SALE OF SUCH BONDS, FIXING THE DATE, DENOMINATIONS, TERMS, REDEMPTION AND REGISTRATION PRIVILEGES, MATURITIES, INTEREST RATES AND COVENANTS OF SUCH BONDS, CREATING A BOND FUND, AND PROVIDING FOR THE SALE AND DELIVERY OF THE BONDS TO SEATTLE-NORTHWEST SECURITIES CORPORATION OF SEATTLE, WASHINGTON

Passed November 18, 2008

Prepared by

Gottlieb Fisher PLLC
1501 Fourth Avenue, Suite 2150
Seattle, Washington 98101-3225
(206) 654-1999

TABLE OF CONTENTS

Section 1.	Definitions	2
Section 2.	Finding, Combining Storm and Surface Water Drainage System into	
Section 3.	Adoption of Plan of Additions	13
Section 4.	Authorization and Description of Bonds	13
Section 5.	Place, Manner and Medium of Payment	15
Section 6.	Redemption Provisions, Open Market Purchase of Bonds	16
Section 7.	Payments into Bond Fund	17
Section 8.	Rate Stabilization Fund	19
Section 9.	Finding as to Sufficiency of Revenue, Pledge of Revenue and Lien	
Section 10.	Form and Execution of Bonds	20
Section 11.	Authentication and Delivery of Bonds by Bond Registrar	20
Section 12.	Registration, Transfer and Exchange	21
Section 13.	Mutilated, Lost, Stolen or Destroyed Bonds	22
Section 14.	Project Fund, Application of Bond Proceeds	22
Section 15.	Sale of the Bonds, Delivery	23
Section 16.	Delivery of Bonds, Temporary Bonds	24
Section 17.	Covenants	24
Section 18.	Preservation of Tax Exemption for Interest on the Bonds	26
Section 19.	Future Parity Bonds, Subordinate Lien Obligations	27
Section 20.	Derivative Products	30
Section 21.	Separate Utility Systems	31
Section 22.	Contract Resource Obligations	31
Section 23.	Flow of Funds	32
Section 24.	Refunding or Defeasance of Parity Bonds	33
Section 25.	Supplemental Ordinances	34
Section 26.	Preliminary Official Statement Deemed Final	37
Section 27.	Undertaking to Provide Continuing Disclosure	37
Section 28.	Contract, Severability	40
Section 29.	Effective Date	40

ORDINANCE NO 2423

AN ORDINANCE RELATING TO THE WATERWORKS UTILITY OF THE CITY, SPECIFYING, ADOPTING AND ORDERING THE CARRYING OUT OF ADDITIONS TO AND BETTERMENTS AND EXTENSIONS OF THE WATERWORKS UTILITY, PROVIDING FOR THE ISSUANCE OF \$11,755,000 AGGREGATE PRINCIPAL AMOUNT OF WATER AND WASTEWATER REVENUE BONDS, 2008, OF THE CITY TO PROVIDE PART OF THE FUNDS WITH WHICH TO PAY THE COST OF CARRYING OUT SUCH ADDITIONS, BETTERMENTS AND EXTENSIONS AND THE COSTS OF ISSUANCE AND SALE OF SUCH BONDS, FIXING THE DATE, DENOMINATIONS, TERMS, REDEMPTION AND REGISTRATION PRIVILEGES, MATURITIES, INTEREST RATES AND COVENANTS OF SUCH BONDS, CREATING A BOND FUND, AND PROVIDING FOR THE SALE AND DELIVERY OF THE BONDS TO SEATTLE-NORTHWEST SECURITIES CORPORATION OF SEATTLE, WASHINGTON

WHEREAS, the City of Redmond (the "City") now owns, maintains and operates a combined water and sewerage system, which combined systems comprise the waterworks utility of the City, and

WHEREAS, the City currently operates a storm and surface water drainage system, and

WHEREAS, the City Council has determined it is in the best interests of the City to combine the storm and surface water drainage system with the waterworks utility of the City for the purpose of debt issuance, and

WHEREAS, pursuant to the Capital Improvement Plan in the City's Comprehensive Plan, the City has planned to undertake certain additions, betterments or extensions to the System (hereinafter defined), and

WHEREAS, pursuant to chapter 35 92 RCW, the City is authorized to sell and issue, without an election, revenue bonds of the City to make additions, betterments or extensions to the System, and

WHEREAS, it is in the best interests of the City to issue and sell revenue bonds to pay a portion of the costs of making certain additions, betterments and extensions to the System,

including, but not limited to, well, tank and pump station improvements to pay for the costs of issuance and sale of such bonds, and

WHEREAS, Seattle-Northwest Securities Corporation (the "Purchaser") has offered, by way of a Bond Purchase Agreement (the "Purchase Agreement"), to purchase such revenue bonds upon the terms and conditions hereinafter set forth, NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, DO ORDAIN AS FOLLOWS

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this ordinance, have the following meanings, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined

"Accreted Value" means (a) 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 (b) 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 their 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 Capital Appreciation Bonds

"Annual Debt Service" means the total amount of Debt Service for any Parity Bond or series of Parity Bonds in any fiscal year or Base Period

"Average Annual Debt Service" means, as of its date of calculation, the sum of Annual Debt Service with respect to all Parity Bonds outstanding (including all Parity Bonds maturing in the fiscal year of calculation) for all fiscal years during which those Parity Bonds are scheduled to remain outstanding, divided by the number of those fiscal years (without regard to bond years)

"Balloon Maturity Bonds" means any Future Parity Bonds that are so designated in the ordinance pursuant to which they are issued

"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, with respect to any Bond, the person named on the records of the Custodian as having the right, without a physical certificate evidencing such right, to transfer, to hypothecate and to receive the payment of the principal of, premium, if any, and interest on such Bond as the same becomes due and payable

"Bond Counsel" means any firm of lawyers nationally recognized and accepted as bond counsel and so engaged by the City for that purpose

"Bond Fund" means the special fund of the City known as the "Waterworks Utility Revenue Bond Fund," which is created and established pursuant to Section 7 of this ordinance

"Bond Register" means the books or records maintained by the Bond Registrar on which are recorded the names and addresses of the Registered Owner of each of the Parity Bonds

"Bond Registrar" means the fiscal agent of the State of Washington as the same may be designated by the State from time to time

"Bonds" means the \$11,755,000 City of Redmond, Washington, Water and Wastewater Revenue Bonds, 2008, authorized to be issued by this ordinance

"Book-Entry Termination Date" means the fifth business day following the date of receipt by the Bond Registrar of the City's request to terminate the book-entry system of registering the beneficial ownership of the Bonds

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

"City" means the City of Redmond, Washington, a noncharter code city of the State of Washington

"Code" means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder

"Contract Resource Obligation" means (a) the obligation of the City to pay "Member Charges," as defined in and pursuant to the Amended and Restated Cascade Water Alliance Interlocal Contract, dated as of December 15, 2004, as now in existence and as the same may be amended in the future in a manner binding on the City, and (b) any other obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 22 of this ordinance, to make payments for water or sewer supply, transmission or other commodity or service to another person or entity (including, without limitation a separate utility system, created pursuant to Section 20 of this ordinance)

"Contract Revenue" means payments made to the City during any fiscal period of the City by a Rated Customer under contract with the City pursuant to which the Rated Customer receives services from the System and the payments are either required or available to be used to pay debt service on Parity Bonds

"Coverage Requirement" means Net Revenue in each fiscal year at least equal to 120% of the amounts required in such fiscal year to be paid as scheduled Debt Service on all Parity Bonds, subtracting from scheduled Debt Service (1) the amount of ULID Assessments collected in such fiscal year and (2) Debt Service Offsets. Furthermore, in determining compliance with the Coverage Requirement, 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 Gross Revenue or Operations and Maintenance Costs, and

(b) Gross Revenue and Operations and Maintenance Costs 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 more fairly reflect the System's annual operating performance

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

"Credit Facility" means any bond insurance policy surety bond, guaranty, letter of credit, standby bond purchase agreement

or other similar credit and/or liquidity support facility providing for or securing the payment of all or part of the principal or purchase price of and interest on any evidences of indebtedness secured by the Net Revenue, issued by an institution which has been assigned a credit rating at the time of issuance of the facility in one of the two highest rating categories of any Rating Agency (without regard to any gradations within a rating category)

"Custodian" means (a) The Depository Trust Company, New York, New York, or (b) any successor thereto engaged by the City to operate a book-entry system for recording, through electronic or manual means, the beneficial ownership of the Bonds, in which system no physical certificates are issued to and registered in the name of the Custodian or its nominee, and delivered to the Custodian, provided, that such book-entry system operated by the Custodian may include the use of subsystems of recording the beneficial ownership of Bonds which are operated by parties other than the Custodian and the use of a nominee for the Custodian, and the term "Custodian," as used herein, includes any party operating any such subsystem

"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 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 date 30 years after the date of issuance, (2) at an interest rate equal to the yield to maturity equal to the higher of (1) the average of the SIFMA Municipal Swap Index over the 60 month period immediately preceding the date of computation, or (11) the average of the SIFMA Municipal Swap Index over the 12 month period immediately preceding the date of computation, as determined within ten days prior to the date of computation or, if such computation is being made in connection with the certificate required by Section 19(a)(5) hereof, then within ten days prior to the date of such certificate, (111) to provide for essentially level annual debt service of principal and interest over such period

Debt Service shall be computed net of any interest funded 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 Offsets" mean Contract Revenues if and to the extent that such Contract Revenues are deposited into the Bond Fund during a fiscal period

"Fixed Rate Bonds" means 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" means all revenue bonds and other obligations of the City for borrowed money (including, without limitation, financing leases) issued or incurred after the date of the issuance of the Bonds, the payment of which constitutes a lien and charge on the Net Revenue and ULID Assessments equal in

rank with the lien and charge upon such revenue and assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds

"Government Obligations" means those obligations described under the definition of government obligations in RCW 39 53 010(4), as it now reads or hereafter may be amended, and which are otherwise lawful investments for the City at the time of such investment

"Gross 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, and revenue from any Separate System Gross Revenue shall also include any federal or state reimbursements of operating expenses to the extent such expenses are included as Operations and Maintenance Costs, provided, however, that Gross Revenue shall not include ULID Assessments For purposes of determining compliance with the Coverage Requirement, Gross Revenue shall not include Contract Revenue Amounts withdrawn from the Rate Stabilization Account shall increase Gross Revenue for the period in which they are withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the period during which they are deposited Credits to or from the Rate Stabilization Account that occur within 90 days after the end of a fiscal year may be treated as occurring within such fiscal year

"Independent Utility Consultant" means a professional consultant experienced with municipal utilities of comparable size and character to the System

"Letter of Representations" means the letter of representations from the City to the Custodian pertaining to the payment of the Bonds and the "book-entry" system for evidencing the beneficial ownership of the Bonds prior to the Book-Entry Termination Date

"MSRB" means the Municipal Securities Rulemaking Board

"Maximum Annual Debt Service" means the 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 the Net Revenue, as the context requires

"Maximum Reserve Requirement" means the maximum dollar amount permitted by the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder, to be allocated to a reserve account from tax-exempt bond proceeds without requiring a balance to be invested at a restricted yield

"Net Revenue" means Gross Revenue less Operations and Maintenance Costs. In calculating Net Revenue, the City shall not take into account any non-cash gains or losses with respect to any real or personal property, investment or agreement that it may be required to recognize under generally accepted accounting principles, such as unrealized mark-to-market gains and losses

"NRMSIR" means a nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule

"Original Issue Discount Bonds" means 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 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

"Operations and Maintenance Costs" means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition, including without limitation payments of premiums for insurance on the System, costs incurred in connection with the acquisition of water or the securing of water rights, payments to any public or private entity for water service, sewage treatment and disposal service or other utility service in the event that the City combines such service into the combined utility system and enters into a contract for such service, including pro-rata budget allocations or charges for the City's administration expenses where those represent a reasonable distribution and share of actual costs, and any State-imposed taxes, and Contract Resource Obligations, to the extent provided in Section 22 of this ordinance. Operations and Maintenance Costs shall exclude

depreciation, taxes levied or imposed by the City, payments-in-lieu-of-taxes paid to the City, capital additions and capital replacements to the System

"Owner" means the person named as the registered owner of a Bond on the Bond Register

"Parity Bonds" means the Bonds and any Future Parity Bonds

"Parity Derivative Product" means a payment agreement between the City and a counterparty satisfying the requirements of chapter 39 96 RCW, as amended from time to time, or any successor statute, obligating the City to make regularly scheduled payments to the counterparty on a parity with the payment of debt service on Parity Bonds

"Parity Requirement" means Net Revenues equal to or greater than

(a) 125% 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

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

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

"Permitted Investments" means investments that are legal investments for the City at the time of such investment

"Preliminary Official Statement" means the Preliminary Official Statement pertaining to the Bonds, dated October 16, 2008

"Principal and Interest Account" means the account of that name created in the Bond Fund by this ordinance for the purpose of securing the payment of the principal of and interest on the Parity Bonds

"Project" means the project to carry out all or part of plan of additions and improvements to and betterments and extensions

of the System, including, but not limited to, well, tank and pump station improvements

"Project Fund" means the special fund of the City known as the "Waterworks Utility Revenue Bond Fund," which is created and established pursuant to Section 14 of this ordinance

"Purchase Agreement" means the Bond Purchase Agreement for the Bonds, dated November 18, 2008, by and between the Purchaser and the City

"Purchaser" means Seattle-Northwest Securities Corporation, the purchaser of the Bonds

"Rate Stabilization Fund" means the special fund of the City known as the "Waterworks Utility Rate Stabilization Fund" of the City, which is created and established pursuant to Section 8 of this ordinance

"Rated Customer" means a user of the System that is rated in one of the two highest Rating Categories by any Rating Agency throughout the entire applicable fiscal period of the City

"Rating Agency" means any nationally recognized securities rating agency rating any of the Parity Bonds at the request of the City

"Reserve Account" means the account of that name created in the Bond Fund by this ordinance for the purpose of securing the payment of the principal of and interest on the Parity Bonds

"Reserve Account Credit Facility" means any bond insurance policy, surety bond, guaranty, letter of credit or other similar credit support facility deposited into (a) the Reserve Account to provide for or secure the payment of all or part of the principal of and interest on the Covered Bonds, or (b) any other reserve account created in the future to secure the payment of debt service on other Future Parity Bonds, in either case, issued by an institution which has been assigned a credit rating at the time of issuance of the facility in one of the two highest rating categories of any Rating Agency (without regard to any gradations within a rating category)

"Reserve Requirement" means the dollar amount to be calculated with respect to all Covered Bonds and separately with respect to other Parity Bonds

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

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

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

The Reserve Requirement shall be adjusted accordingly and remain in effect until the earlier of (1) at the City's option, a payment of principal of Parity Bonds or (11) the issuance of a subsequent series of Future Parity Bonds (when the Reserve Requirement shall be recalculated).

"Rule" means paragraph (b) (5) of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as such Rule may be amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Separate System" means (a) the City's existing urban planned development water and wastewater system serving the Novelty Hill service area located outside the current City limits, and (b) any other water supply, sewage collection or treatment, stormwater or other utility service or facilities that may be created, acquired or constructed by the City as provided in Section 21 of this ordinance.

"SID" means a state information depository.

"SIFMA Municipal Swap Index" means The Securities Industry and Financial Markets Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., a Thompson Financial Services Company, or its successor, or

as otherwise designated by The Securities Industry and Financial Markets Association, provided, however, that, if such index is no longer produced by Municipal Market Data, Inc, a Thompson Financial Services Company, or its successor, then "SIFMA Municipal Swap Index" shall mean such other reasonably comparable index selected by the City

"Significant Wholesale Customer" means any person, firm, corporation or municipal corporation under any executed contract for water or other utility service, the revenue from which contract comprises 10% or more of the overall Gross Revenue of the System

"State" means the State of Washington

"System" means, for so long as any of the Parity Bonds are outstanding (a) the water supply 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, treatment and disposal system of the City, as it now exists and including all additions, betterments and extensions at any time made, (c) any storm and surface water drainage system 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 The System shall not include any Separate System of the City

"Term Bonds" means Parity Bonds that are subject to mandatory redemption prior to their scheduled maturity date or dates

"ULID" means utility local improvement district

"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

"Undertaking" means the City's undertaking pursuant to Section 27 of this ordinance to provide annual financial information and notice of material events

Section 2. Findings; Combining Storm and Surface Water Drainage System into System. In order to strengthen the financial stability of the City's storm and surface water drainage system, the Council hereby finds that it is in the best interest of the City and ratepayers of the storm and surface water drainage system to combine the storm and surface water drainage system

into the waterworks utility of the City for borrowing purposes, as permitted pursuant to RCW 35 67 331. Such systems are hereby combined. "System" shall hereafter have the meaning for such term set forth in Section 1 of this ordinance.

Section 3. Adoption of Plan of Additions. The City specifies, adopts and orders the carrying out of improvements to and betterments and extensions of the System, including, but not limited to, well, tank and pump station improvements, in accordance with the plans and specifications prepared by the City's engineers and consulting engineers. The City Council may modify the details of the Project where, in its judgment, it appears advisable if such modifications do not substantially alter the purposes of that system or plan. The life of the improvements comprising the Project is declared to be at least equal to the term of the Bonds. The estimated cost of carrying out the Project, including the costs of issuance and sale of the Bonds, is at least \$12,116,737.15, which cost shall be paid from the proceeds of the Bonds and from other money available to the City for such purpose.

Section 4. Authorization and Description of Bonds. The City shall issue the Bonds in the aggregate principal amount of \$11,755,000 for the purpose of providing funds necessary to pay all or part of the costs of the Project and the incidental costs and costs related to the sale and issuance of the Bonds. The Bonds shall be special fund revenue bonds of the City designated "City of Redmond, Washington, Water and Wastewater Revenue Bonds, 2008," and shall be dated their date of initial delivery. The Bonds shall be issued in the denomination of \$5,000 or any integral multiple thereof within a single maturity and shall be numbered separately, in the manner and with any additional designation as the Bond Registrar deems necessary for the purpose of identification. The Bonds shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on each June 1 and December 1, commencing June 1, 2009, to the maturity or earlier redemption of the Bonds, and shall mature on December 1 in years and amounts and bear interest at the rates per annum as follows:

Maturity Date (December 1)	Principal Amount	Interest Rate Per Annum	Initial CUSIP Number
	\$		75767PAA7
12/1/2009	565,000	4 00%	
12/1/2010	590,000	4 00%	75767PAB5
12/1/2011	615,000	4 00%	75767PAC3
12/1/2012	640,000	4 00%	75767PAD1
12/1/2013	75,000	4 00%	75767PAE9
12/1/2013	590,000	5 00%	75767PAR0
12/1/2014	700,000	4 00%	75767PAF6
12/1/2015	725,000	4 00%	75767PAG4
12/1/2016	100,000	4 00%	75767PAH2
12/1/2016	655,000	5 00%	75767PAS8
12/1/2017	110,000	4 00%	75767PAJ8
12/1/2017	680,000	5 00%	75767PAT6
12/1/2018	830,000	5 00%	75767PAK5
12/1/2019	865,000	4 25%	75767PAL3
12/1/2020	915,000	4 50%	75767PAM1
12/1/2021	950,000	5 00%	75767PAN9
12/1/2022	1,100,000	5 00%	75767PAP4
12/1/2023	1,050,000	5 00%	75767PAQ2

If any Bond is not paid upon proper presentment at its maturity or redemption date, the City shall be obligated to pay interest at the same rate from and after such maturity or earlier redemption until such Bond, both principal and interest, is paid in full

The Bonds shall be negotiable instruments to the extent provided by RCW 62A 8-102 and RCW 62A 8-105

On the date of issue of the Bonds, all Bonds bearing the same initial CUSIP number maturing in the same maturity year shall be issued in the form of a single certificate, which certificate shall be registered in the name of the Custodian, or its nominee, and delivered to the Custodian. The Custodian shall hold each such Bond certificate in fully immobilized form for the benefit of the Beneficial Owners pursuant to the Letter of Representations, until the earliest to occur of either (1) the date of maturity of the Bonds evidenced by such certificate, at which time the Custodian shall surrender such certificate to the Bond Registrar for payment of the principal of and interest on such Bonds coming due on such date, and the cancellation thereof, (2) the Book-Entry Termination Date, or (3) the date the City

determines to utilize a new Custodian for the Bonds, at which time the old Custodian shall (provided the City is not then in default of any payment then due on the outstanding Bonds) surrender the immobilized certificates to the Bond Registrar for transfer to the new Custodian and cancellation as herein provided

For so long as any outstanding Bonds are registered in the name of the Custodian or its nominee and held by the Custodian in fully immobilized form as described in this Section 4, the rights of the Beneficial Owners shall be evidenced solely by an electronic and/or manual entry made from time to time on the records established and maintained by the Custodian in accordance with the Letter of Representations, and no certificates evidencing such Bonds shall be issued and registered in the name of any Beneficial Owner or such Beneficial Owner's nominee

The City may terminate the "book-entry" system of registering ownership of the Bonds at any time (provided the City is not then in default of any payment then due on the outstanding Bonds) by delivering to the Bond Registrar (a) a written request that it issue and deliver Bond certificates to each Beneficial Owner or such Beneficial Owner's nominee on the Book-Entry Termination Date, (b) a list identifying the Beneficial Owners as to both name and address, and (c) a supply of Bond certificates, if necessary for such purpose Upon surrender to the Bond Registrar of the immobilized certificates evidencing all of the then outstanding Bonds, the Bond Registrar shall issue and deliver new certificates to each Beneficial Owner or such Beneficial Owner's duly appointed agent, naming such Beneficial Owner or such Beneficial Owner's nominee as the Owner thereof Such certificates may be in any integral multiple of \$5,000 within a single maturity Following such issuance, the Owners of such Bonds may transfer and exchange such Bonds in accordance with Section 12 hereof

Neither the City nor the Bond Registrar shall have at any time any responsibility or liability to any Beneficial Owner of any Bonds or to any other person for any error, omission, action or failure to act on the part of the Custodian with respect to payment, when due, to the Beneficial Owner of the principal and interest on the Bonds, proper recording of beneficial ownership of Bonds, proper transfers of such beneficial ownership, or any notices to Beneficial Owners or any other matter pertaining to the Bonds

Section 5. Place, Manner and Medium of Payment. Both the principal of and interest on the Bonds shall be payable in lawful money of the United States of America Prior to the Book-

Entry Termination Date, the principal of and interest on the Bonds shall be paid by the Bond Registrar to the Custodian as the Owner thereof, for the benefit of the Beneficial Owners thereof, in accordance with the Letter of Representations

From and after the Book-Entry Termination Date, interest on the Bonds shall be paid by check or draft mailed on or before the interest payment date, to the persons identified as the Owners on the fifteenth day of the month preceding the interest payment date at the addresses shown for the Owners on the Bond Register maintained by the Bond Registrar, provided, however, that if so requested in writing by the Owner of at least \$1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the interest payment date to an account with a bank located in the United States From and after the Book-Entry Termination Date, principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the Owners at the principal corporate trust office of the Bond Registrar The Bonds shall be payable solely out of the Bond Fund and shall not be general obligations of the City

Section 6. Redemption Provisions; Open Market Purchase of Bonds. The Bonds maturing on December 1 in the years 2009 through 2018, inclusive, shall not be subject to optional redemption prior to maturity The Bonds maturing on or after December 1, 2019 shall be subject to optional redemption prior to maturity beginning on December 1, 2018, in whole or in part at any time (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date of redemption

Any Bond in the principal amount of greater than \$5,000 may be partially redeemed in any integral multiple of \$5,000 Prior to the Book-Entry Termination Date, Bonds shall be partially redeemed in accordance with the Letter of Representations From and after the Book-Entry Termination Date, in the event of a partial redemption of a Bond, upon surrender of such Bond at the principal corporate trust office of the Bond Registrar, a new Bond or Bonds (at the option of the Owner) of the same maturity and interest rate and in the aggregate principal amount remaining unredeemed shall be authenticated and delivered to the Owner, without charge to the Owner for such partial redemption, in any denomination authorized by this ordinance and selected by the Owner

Prior to the Book-Entry Termination Date, the Bond Registrar shall give, or cause to be given, notice of a call for redemption of any Bonds to the Custodian, as the Owner thereof, for the benefit of the Beneficial Owners thereof, in accordance with the

Letter of Representations From and after the Book-Entry Termination Date, and unless waived by the Owner of any Bond to be redeemed, notice of any such intended redemption shall be given by or on behalf of the City not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Owner of each Bond to be redeemed at the address appearing on the Bond Register on the day the notice is given. The requirements of this section shall be deemed to be complied with when notice is mailed as herein provided, whether or not it is actually received by the Owner. In addition, such redemption notice shall be mailed within the same time period, postage prepaid, to each NRMSIR or their respective successors, but such mailings shall not be a condition precedent to the redemption of such Bonds.

If such notice to the Owners shall have been given and the City shall have set aside sufficient money for the payment of all Bonds called for redemption on the date fixed for redemption, the Bonds so called shall cease to accrue interest after such redemption date, and all such Bonds shall be deemed not to be outstanding hereunder for any purpose, except that the Owners of such Bonds shall be entitled to receive payment of the redemption price and interest accrued on the principal of the Bonds to the redemption date from the money set aside for such purpose.

The City reserves the right to purchase any or all of the Bonds on the open market at any time and at any price from Net Revenue available after providing for the payments required by Sections 23(a) through 23(e) hereof, or other available funds.

All Bonds purchased or redeemed by the City shall be surrendered to the Bond Registrar for cancellation.

Section 7. Payments into Bond Fund. There is hereby created and established as a separate account in the Water & Wastewater Operations Fund of the City a special fund of the City to be known as the "Waterworks Utility Revenue Bond Fund" (the "Bond Fund"). The Bond Fund shall be divided into two accounts, a Principal and Interest Account and a Reserve Account.

(a) So long as any Parity Bonds are outstanding against the Bond Fund, the City obligates and binds itself to set aside and pay into the Bond Fund all ULID Assessments and, out of the Net Revenue, certain fixed amounts without regard to any fixed proportion, namely

(1) Into the Principal and Interest Account on or before each debt service payment date an amount which, together with ULID Assessments and other money on deposit

therein, will be sufficient to pay the debt service on all outstanding Parity Bonds coming due and payable on that next debt service payment date, including mandatory redemption amounts due on that date with respect to any Term Bonds, and to pay regularly scheduled net payments on Parity Derivative Products, and

(2) Into the Reserve Account at least annually an amount that, together with other money and Reserve Account Credit Facilities on deposit therein, will equal the Reserve Requirement for all Covered Bonds

(b) The Reserve Account has been established in the Bond Fund to serve as a common reserve securing the repayment of the Covered Bonds. On the date of issue of the Bonds, the City shall pay the sum of \$1,175,500 00, which is equal to the Reserve Requirement for all Covered Bonds as of the date of issue of the Bonds, out of the Net Revenue into the Reserve Account. The City covenants and agrees that it will at all times maintain in the Reserve Account an amount (including the value of all Reserve Account Credit Facilities deposited therein) equal to the Reserve Requirement for all Covered Bonds, except for withdrawals as authorized in this subsection, until there is a sufficient amount in the Principal and Interest Account and Reserve Account to pay the principal of and interest on all outstanding Covered Bonds, at which time the money in the Reserve Account may be used to pay any such principal and interest so long as the money remaining on deposit in the Reserve Account is not less than the Reserve Requirement calculated based on the remaining outstanding Covered Bonds. If there are sufficient funds in the Bond Fund to pay all outstanding Covered Bonds and the Reserve Requirement as to those outstanding Covered Bonds is met, excess money in the Bond Fund may be used for any System purpose.

In the event that the amounts in the Principal and Interest Account are insufficient to make any debt service payment on any outstanding Covered Bonds, amounts shall be withdrawn from the Reserve Account to make up that deficiency. Any deficiency created in the Reserve Account by reason of such a withdrawal shall then be made up from Net Revenue and from ULID Assessment payments, but only after necessary provision has been made for Operations and Maintenance Costs and for the required payments into the Principal and Interest Account.

(c) All money in the Bond Fund may be kept in cash, deposited with an institution (as permitted by law) in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or invested in Permitted Investments or other legal investments permitted to

the City maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding Covered Bonds (for investments in the Reserve Account) Income from investments in the Principal and Interest Account shall be deposited in that account Income from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirements of all Covered Bonds, and thereafter shall be deposited in the Principal and Interest Account

(d) The City may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of Parity Bonds as long as the maintenance of such accounts does not conflict with the rights of the owners of Parity Bonds

(e) It is declared that in creating the Bond Fund and in fixing the amounts to be paid into it as aforesaid, the City Council has had due regard for Operations and Maintenance Costs and the debt service requirements of the outstanding Parity Bonds, and declares that it is not setting aside into the Bond Fund a greater amount than in its judgment will be available over and above such Operations and Maintenance Costs and the debt service requirements of the outstanding Parity Bonds

If the City fails to set aside and pay into the Bond Fund the amounts set forth above, the owner of any of the outstanding Parity Bonds may bring action against the City and compel the setting aside and payment

Section 8. Rate Stabilization Fund. There shall be created and established as a separate account in the Water & Wastewater Operations Fund of the City a special fund of the City to be known as the "Waterworks Utility Rate Stabilization Fund" The City may at any time, as determined by the Finance Director and consistent with Section 17 of this ordinance, deposit into the Rate Stabilization Fund amounts from Gross Revenue and any other money received by the System and available to be used for that purpose, excluding principal proceeds of any Future Parity Bonds The Finance Director may at any time withdraw money from the Rate Stabilization Fund for inclusion in the Net Revenue for the current fiscal year of the System Such deposits or withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Net Revenue

Earnings from investments in the Rate Stabilization Fund shall be deposited in that fund and shall not be included as Net Revenue unless and until withdrawn from that fund as provided in this Section The Finance Director may also deposit earnings

from investments in the Rate Stabilization Fund into any System fund as authorized by ordinance, and such deposits shall be included as Net Revenue in the year of deposit

No deposit shall be made into the Rate Stabilization Fund to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant fiscal year

Section 9. Finding as to Sufficiency of Revenue, Pledge of Revenue and Lien Position. The City Council finds and determines that the Gross Revenue and benefits to be derived from the operation and maintenance of the System at the rates to be charged for service from the System will be more than sufficient to meet all Operations and Maintenance Costs and to permit the setting aside into the Bond Fund of the amounts of Net Revenue that, together with ULID Assessments, will be sufficient to pay the principal of and interest on the Parity Bonds when due. The Net Revenue and all ULID Assessments are pledged for the payment of the Bonds and all Future Parity Bonds. This pledge shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other liens, and charges whatsoever

Section 10. Form and Execution of Bonds. The Bonds shall be typewritten, printed or lithographed on good bond paper in a form consistent with this ordinance and Washington law

The Bonds shall be signed on behalf of the City with the facsimile or manual signatures of the Mayor and the City Clerk, and shall have the seal of the City impressed or a facsimile thereof imprinted thereon

In case either or both of the officers who shall have executed any Bond shall cease to be such officer or officers of the City before the Bond so signed shall have been authenticated or delivered by the Bond Registrar or issued by the City, such Bond nevertheless may be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond also may be signed and attested on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City although at the original date of such Bond such persons were not such officers of the City

Section 11. Authentication and Delivery of Bonds by Bond Registrar. The Bond Registrar is authorized and directed, on behalf of the City, to authenticate and deliver Bonds initially

issued or transferred or exchanged in accordance with the provisions of such Bonds and this ordinance

Only such Bonds as shall bear thereon a "Certificate of Authentication" manually executed by an authorized signatory 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

The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds

Section 12. Registration, Transfer and Exchange. The Bond Registrar shall keep, or cause to be kept, the Bond Register at its principal corporate trust office

The City and the Bond Registrar, each in its discretion, may deem and treat the Owner of each Bond as the absolute owner thereof for all purposes, 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 5 hereof, but such registration may be transferred as herein provided. All such payments made as provided in Section 5 hereof 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

The registered ownership of any Bond may be transferred. Prior to the Book-Entry Termination Date, the beneficial ownership of the Bonds may only be transferred on the records established and maintained by the Custodian. On and after the Book-Entry Termination Date, no transfer of any Bond shall be valid unless it is surrendered at any principal corporate trust office of the Bond Registrar, with the assignment form appearing on such Bond duly executed by the Owner or such 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 Owner or transferee therefor (other than governmental fees or taxes payable on account of such transfer), a new Bond or Bonds (at the option of the new Owner), of the same maturity and interest rate and for the same aggregate principal amount, in any authorized denomination, naming as 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

On and after the Book-Entry Termination Date, any Bond may be surrendered at the principal corporate trust office of the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any Bond during the 15 days preceding any applicable interest payment, principal payment or redemption date

The Bond Registrar may become the 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 rights of the Owners of the Bonds

The City covenants that, until all Bonds shall have been surrendered and cancelled, it will maintain a system of recording the ownership of each Bond that complies with the provisions of the Code

Section 13. Mutilated, Lost, Stolen or Destroyed Bonds.
If any Bond becomes mutilated, lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond of the same maturity and interest rate and of like tenor and effect in substitution therefor, all in accordance with law. If such mutilated, lost, stolen or destroyed Bond has matured, the City at its option, may pay the same without the surrender thereof. However, no such substitution or payment shall be made unless and until the applicant shall furnish (a) evidence satisfactory to the Bond Registrar of the destruction or loss of the original Bond and of the ownership thereof, and (b) such additional security, indemnity or evidence as may be required by or on behalf of the City. No substitute Bond shall be furnished unless the applicant shall reimburse the City and the Bond Registrar for their respective expenses in the furnishing thereof. Any such substitute Bond so furnished shall be equally and proportionately entitled to the security of this ordinance with all other Bonds issued hereunder

Section 14. Project Fund; Application of Bond Proceeds.
There is hereby created and established as a separate account in the Water & Wastewater CIP Fund of the City a special fund of the City to be known as the "Waterworks Utility Revenue Bond Project Fund" (the "Project Fund")

All of the net proceeds of the Bonds, including any accrued interest and original issue premium, but net of any original issue discount and the underwriter's discount, which shall be retained by the Purchaser) shall be deposited into the Project Fund for application to the payment of the costs of the Project and the incidental costs and costs related to the sale and issuance of the Bonds

Except as provided by the Code and Section 18 of this ordinance, the income from the investment of Bond proceeds in the Project Fund shall be deposited in the Project Fund and applied to the payment of the costs of the Project

Except as provided by the Code and Section 18 of this ordinance, if any money allocable to the Bond proceeds remains in the Project Fund after payment of all the costs of the Project or after termination of the Project by the City, such money shall be transferred to the Bond Fund and applied to the payment of the principal of and interest on the Bonds

Pending application as described in this Section 14 and subject to the requirements of the Code and Section 18 of this ordinance, money allocable to the Bond proceeds in the Project Fund may be temporarily deposited in such institutions or invested in Permitted Investments

Section 15. Sale of the Bonds, Delivery. The Purchaser has presented the Purchase Agreement to the City pursuant to which the Purchaser has offered to purchase the Bonds, under the terms and conditions provided in the Purchase Agreement, which written Purchase Agreement is on file with the City Clerk and is incorporated herein by this reference. The City Council finds that entering into the Purchase Agreement is in the City's best interest and therefore accepts the offer contained in the Purchase Agreement and authorizes the execution of the Purchase Agreement on behalf of the City by the Mayor or other authorized City official

The Bonds will be prepared at City expense and will be delivered to the Purchaser in accordance with the terms of the Purchase Agreement with the approving legal opinion of Gottlieb Fisher PLLC, bond counsel, Seattle, Washington, relative to the issuance of the Bonds, printed on or attached to each Bond. Bond counsel has not been engaged to participate in the preparation or review of, or express any opinion concerning the completeness or accuracy of, any official statement or other disclosure documentation used in connection with the offer or sale of the Bonds by any person, and bond counsel's opinion shall so state. Bond counsel has not been retained to monitor, and shall not be

responsible for monitoring, the City's compliance with any federal law or regulations to maintain the tax-exempt status of the interest on the Bonds

Section 16. Delivery of Bonds, Temporary Bonds. The proper City officials, including the Finance Director, are authorized and directed to execute and/or approve, as appropriate, all documents, including but not limited to, the final Official Statement pertaining to the Bonds, and to do everything necessary for the preparation and delivery of a transcript of proceedings pertaining to the Bonds, and the printing, execution and prompt delivery of the Bonds to the Purchaser and for the proper application and use of the proceeds of the sale thereof

If definitive Bonds are not ready for delivery by the date established for closing, the Finance Director of the City, upon the approval of the Purchaser, may cause to be issued and delivered to the Purchaser one or more temporary Bonds with appropriate omissions, changes and additions. Any temporary Bond or Bonds shall be entitled and subject to the same benefits and provisions of this ordinance with respect to the payment, security and obligation thereof as definitive Bonds authorized hereby. Such temporary Bond or Bonds shall be exchangeable without cost to the Owners thereof for definitive Bonds when the latter are ready for delivery.

Section 17. Covenants. The City covenants and agrees with the owner of each of the Bonds as follows

(a) It will establish, maintain, revise as necessary, and collect such rates and charges for the services furnished by the System (including those furnished under contract with wholesale customers) as will at least equal the Coverage Requirement

(b) It 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) It will collect promptly all ULID Assessments, which shall be deposited into the Bond Fund and shall be used to pay and secure the payment of the principal of and interest on the Parity Bonds. Such assessments may be used to pay the principal or interest on any Parity Bonds without those assessments being particularly allocated to the payment of principal of or interest on any particular series of 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

(d) It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the System unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all outstanding Parity Bonds. Furthermore, it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the System that is used, useful and material to its operation, unless provision is made (a) for the replacement of that portion of the System, or (b) for the payment into the Bond Fund of an amount bearing the same ratio to the par amount of outstanding Parity Bonds as the amount of Net Revenue available for debt service derived during the preceding 12-month period from that portion of the System bears to the total Net Revenue available for debt service for such bonds for the same period. Any such money so paid into the Bond Fund shall be used to retire outstanding Parity Bonds at the earliest possible date and may be invested to the same extent and in the same manner as provided for the investment of money in the Reserve Account until so used.

(e) While any of the Parity Bonds remain outstanding it will 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 owner or owners of the Parity 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. It will grant any owner or owners of at least twenty-five percent of the outstanding Parity Bonds the right at all reasonable times to inspect the entire System and all records, accounts and data relating thereto, and upon request of any owner of any of the Parity Bonds a copy of the most recently completed audit of the System accounts by the State Auditor of Washington.

(f) It will not furnish any service of the System free of charge to any customer whatsoever.

(g) It will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the System as are ordinarily carried on such buildings, equipment, facilities, and properties by utilities engaged in the operation of similar utility systems to the full insurable value thereof, and also will carry adequate public

liability insurance (and war risk insurance if available at reasonable rates) at all times. The premiums on such insurance policies are declared to be a normal part of Operations and Maintenance Costs.

(h) It will pay all Operations and Maintenance Costs and otherwise meet the obligations of the City as herein set forth.

(i) It will not change any rate or charge for services of the System as is now established by the existing rate resolution or resolutions of the City, or any contract with a Significant Wholesale Customer, if such change would substantially reduce the annual Net Revenue below that which would have been obtained before such change unless the City has on file a certificate from an Independent Utility Consultant, stating that after such change, the Net Revenue will remain sufficient to comply with all the covenants and requirements of this ordinance, including the Coverage Requirement.

(j) Except as provided in Section 19, the City will not create any special fund or funds for the payment of the principal of and interest on any other revenue obligations which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Net Revenue and ULID Assessments, nor will it issue Parity Bonds except as permitted pursuant to Section 19 hereof.

Section 18. Preservation of Tax Exemption for Interest on the Bonds. The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exclusion of the interest on the Bonds from the gross income for purposes of federal income taxation, and will take or require to be taken such acts as may be permitted by Washington law and as may from time to time be required under applicable law to continue the exclusion of the interest on the Bonds from the gross income for purposes of federal income taxation. Without limiting the generality of the foregoing, the City will not invest or make or permit any use of the proceeds of the Bonds or of its other money at any time during the term of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

The City further covenants that the City shall calculate or cause to be calculated, and shall rebate to the United States, all earnings from the investment of Bond proceeds that are in excess of the amount that would have been earned had the yield on such investments been equal to the yield on the Bonds, plus income derived from such excess earnings, to the extent and in the manner required by Section 148 of the Code.

The City will take no actions and will make no use of the proceeds of the Bonds or any other funds held under this ordinance which would cause any Bond to be treated as a "private activity bond" (as defined in Section 141(b) of the Code) subject to treatment under said Section 141(b) as an obligation not described in Section 103(a) of the Code, unless the tax exemption thereof is not affected

Section 19. Future Parity Bonds; Subordinate Lien Obligations.

(a) The City may issue Future Parity Bonds only for lawful System purposes and only if the following conditions are met and complied with at the time of the issuance of those Future Parity Bonds

(1) The ordinance providing for the issuance of such Future Parity Bonds must provide that all ULID Assessments (including interest on those assessments) imposed in any ULID created for the purpose of paying in whole or in part the principal of and interest on such Future Parity Bonds is to be paid directly into the Bond Fund,

(2) The ordinance authorizing those Future Parity Bonds must provide for the payment of the principal of and interest thereon out of the Bond Fund,

(3) The City shall not be in default with respect to any of its obligations under this ordinance

(4) The applicable ordinance authorizing those Future Parity Bonds must provide for the deposit into the Reserve Account (in the case of Covered Bonds) or any other applicable reserve account of any combination of Future Parity Bond proceeds, Reserve Account Credit Facilities or other money legally available, in the amount necessary (if any) to make the amount on deposit in the Reserve Account or other applicable reserve account equal to the applicable Reserve Requirement upon the issuance of those Future Parity Bonds

(5) Except as provided in Section 19(b) hereof, there shall be on file with the City a certificate (prepared as described in Section 19(c) or Section 19(d) hereof) demonstrating fulfillment of the Parity Requirement, commencing with the first full fiscal year following the date on which any portion of interest on the series of

Future Parity Bonds then being issued no longer will be paid from the proceeds of such series of Future Parity Bonds

(b) The certificate described in Section 19(a)(5) hereof 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 outstanding Parity Bonds (including incidental costs and costs related to the sale and issuance thereof and providing for any applicable Reserve Requirement), 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 Parity Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a certificate of the Finance Director, and there is delivered a written certificate of the Mayor stating that the nature and purpose of such facilities has not materially changed

(c) If required pursuant to Section 19(a)(5) hereof, a certificate may be delivered by the City (executed by the Finance Director) without an Independent Utility Consultant if Net Revenues for the Base Period (confirmed by an audit) 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) Unless compliance with the requirements of Section 19(a)(5) hereof have been satisfied as provided in Section 19(c) hereof, compliance with the Parity Requirement shall be demonstrated conclusively by a certificate of a Independent Utility Consultant

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

(1) The historical net revenue of the System for the Base Period being issued as determined by a Independent Utility 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 as described in Section 19(d) (1) hereof

(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 Section 19(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 Section 19(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

(6) Transfers into or out of the Rate Stabilization Fund pursuant to Section 8 hereof may be taken into account, and those amounts may be added to or deducted from Net Revenues, as applicable

In the event the System 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 Sections 19(d) (4) and 19(d) (5) hereof, the estimated normal Operations and Maintenance Costs (excluding any transfer of money to other funds of the City and license fees, taxes and payments in lieu of taxes payable to the City) of such additions, improvements and extensions shall be deducted from estimated annual net revenue

The words "historical net revenue" or "net revenue" as used in this Section 19(d) shall mean the Gross 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) Nothing contained in this Section 19 shall prevent the City from issuing revenue bonds or other obligations which are a charge upon the Net Revenue of the System junior or inferior to the payments required by this ordinance to be made out of such Net Revenue to pay and secure the payment of any outstanding Parity Bonds. Such junior or inferior obligations shall not be subject to acceleration. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations or to prohibit the payment of a termination amount with respect to an Other Derivative Product or a Parity Derivative Product.

(f) Nothing contained in this Section 19 shall prevent the City from issuing revenue bonds to refund maturing Parity Bonds for the payment of which moneys are not otherwise available.

Section 20. 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 or Other 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 any other payments under Parity Derivative Products and all payments under any Other 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 19 of this ordinance with respect to the Parity Derivative Product provided that the conditions set forth in Section 19 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 21. Separate Utility Systems. The City may create, acquire, construct, finance, own and operate one or more additional systems for water supply, sewer service, water, sewage or stormwater transmission, treatment or other commodity or utility service. The revenue of that Separate System, and any ULID Assessments payable solely with respect to improvements to a Separate System, shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate System. Neither the Gross Revenue nor the Net Revenue may be pledged to the payment of any obligations of a separate utility Separate System except that the Net Revenue may be pledged on a basis subordinate to the lien of the Parity Bonds.

Section 22. 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 Operation and Maintenance Expenses if the following requirements are met at the time such Contract Resource Obligation is entered into:

(a) The City shall not be in default with respect to any of its obligations under this ordinance.

(b) There shall be on file a certificate of an Independent Utility Consultant stating that (1) 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, (2) 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 Independent Utility Consultant's certification, and (3) the Net Revenue computed in the manner described in Section 19 of this ordinance (further adjusted by the Independent Utility 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 Independent Utility Consultant (with such estimate based on such factors as he or she considers reasonable), will be at least equal to 120 times the Annual Debt Service (after deducting ULID Assessments allocated to the years in which they would be received if the unpaid balance of each ULID Assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the ULID Assessment roll)

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

Nothing in this Section 22 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 Operation and Maintenance Expenses of the System so long as such service is actually being supplied. Nothing in this Section 22 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 23. Flow of Funds. The Net Revenue shall be used for the following purposes only and shall be applied in the following order of priority

(a) To make when due the required payments into the Principal and Interest Account in respect of interest on the Parity Bonds and, without duplication, to make regularly scheduled payments due with respect to any Parity Derivative Product

(b) To make when due the required payments into the Principal and Interest Account in respect of principal of and premium, if any, on the Parity Bonds, whether at maturity or pursuant to redemption prior to maturity, and to make payments due under any reimbursement agreement with a provider of a Credit Facility for any Parity Bonds that requires those payments to be made on a parity with the Parity Bonds

(c) To make when due all payments required to be made into the Reserve Account for the Covered Bonds, all payments required to be made into any other reserve account created in the future

to secure the payment of debt service on other Future Parity Bonds, and all payments required to be made under any reimbursement agreement with a provider of a Reserve Account Credit Facility that requires those payments to be made on a parity with the payments required to be made into the Reserve Account or such other reserve account created in the future to secure the payment of debt service on other Future Parity Bonds

(d) To make when due all payments required to be made under any reimbursement agreement with a provider of a Credit Facility for any Parity Bonds other than payments to be made on a parity with the Parity Bonds, and all payments required to be made under any reimbursement agreement with a provider of a Reserve Account Credit Facility other than payments to be made on a parity with the payments to be made into the Reserve Account or such other reserve account created in the future to secure the payment of debt service on other Future Parity Bonds, in any priority not inconsistent with this ordinance that the City may hereafter establish by ordinance

(e) To make when due the payments required to be made into any revenue bond, note warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay and secure the payment of any revenue bonds, warrants, notes or other obligations of the System having a charge upon the Net Revenue junior and inferior to the charge thereon for the payment of the principal of and premium (if any), and interest on the Parity Bonds, or under any reimbursement agreement with a provider of a Credit Facility or reserve account credit facility therefor, and all regularly scheduled payments due pursuant to an Other Derivative Product, as set forth in such Other Derivative Product, in any priority not inconsistent with this ordinance, that the City may hereafter establish by ordinance

(f) To make when due all nonscheduled payments (i e , any termination payment or other fees) under any Parity Derivative Product as set forth in such Parity Derivative Product and under any Other Derivative Product as set forth in such Other Derivative Product, and for any other lawful System purposes, in any priority not inconsistent with this ordinance, that the City may hereafter establish by ordinance

Section 24. Refunding or Defeasance of Parity Bonds The City may issue refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay when due the principal of and interest on any Parity Bonds, or any portion thereof included in a refunding or defeasance plan (the "Defeased Bonds"), and to redeem and retire,

refund or defease such Defeased Bonds and to pay the costs of such refunding or defeasance

If the City deposits irrevocably with an escrow agent money and/or Government Obligations sufficient in amount, together with the earnings thereon, to pay the principal of and premium, if any, on such Defeased Bonds, together with all interest accruing thereon to the due date or redemption date, and pays or makes provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, all liability of the System with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be outstanding hereunder and the Owners of the Defeased Bonds shall be restricted exclusively to the money or Government Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds, and that escrow agent shall hold such money, Government Obligations and earnings in trust exclusively for those Owners and such money, Government Obligations and earnings shall not secure any other Parity Bonds under this ordinance After establishing such an escrow account, the City may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other Parity Bonds then outstanding Defeased Bonds shall be excluded from computation of the Coverage Requirement and other covenants under this ordinance

Section 25. Supplemental Ordinances.

(a) This ordinance shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this section

(b) The City may from time to time and at any time, without the consent of or notice to the registered owners of the Parity Bonds, pass supplemental ordinances for any one or more of the following purposes

(1) To cure any formal defect, omission, inconsistency or ambiguity in this ordinance,

(2) To impose upon the Bond Registrar (with its consent) for the benefit of the registered owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this ordinance as previously in effect,

(3) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this ordinance as previously in effect,

(4) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this ordinance of any other money, securities or funds,

(5) To authorize different denominations of the Bonds and to make correlative amendments and modifications to this ordinance regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature,

(6) To authorize the issuance of any (A) Future Parity Bonds, (B) revenue bonds or other obligations which are a charge upon the Net Revenue of the System junior or inferior to the payments required by this ordinance to be made out of such Net Revenue to pay and secure the payment of any outstanding Parity Bonds, or (C) revenue bonds to refund maturing Parity Bonds for the payment of which moneys are not otherwise available, in each case, to the extent permitted by this ordinance, or

(7) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the registered owners of the Bonds and which does not involve a change described in Section 25(c) hereof

Before any supplemental ordinance described in this Section 25(b) shall become effective, there shall be delivered to the City and the Bond Registrar an opinion of Bond Counsel, stating that such supplemental ordinance is authorized or permitted by this ordinance and will, upon its effective date, be valid and binding upon the City in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds

(c) (1) Except for any supplemental ordinance passed pursuant to Section 25(b) hereof, subject to the terms and provisions contained in this Section 25(c) and not otherwise, registered owners of not less than a majority of the aggregate principal amount of the Parity Bonds then

outstanding shall have the right from time to time to consent to and approve the passage by the City Council of any supplemental ordinance deemed necessary or desirable by the City for the purposes modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance

However, unless approved in writing by each registered owner of each Parity Bond then outstanding, nothing contained in this Section 25 shall permit, or be construed at permitting

(A) A change in the times, amounts or currency of payment of the principal of or interest on any outstanding Bond, or a reduction in the principal amount or redemption price of any outstanding Bond, or a change in the method or redemption price of any outstanding Bond, or a change in the method of determining the rate of interest thereon,

(B) A preference or priority of any Bond or Bonds over any other Bond or Bonds, or

(C) A reduction in the aggregate principal amount of Bonds the consent of the registered owners of Bonds of which is required for any such supplemental ordinance

(2) If at any time the City shall pass any supplemental ordinance for any of the purposes of this Section 25(c), the Bond Registrar shall cause notice of the proposed supplemental ordinance to be given by first class United States mail to all registered owners of the then outstanding Parity Bonds, to each Rating Agency that has provided a rating on an issue of the Parity Bonds. Such notice shall briefly set forth the nature of the proposed supplemental ordinance and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by all registered owners

(3) Within two years after the date of the mailing of such notice, the City may pass such supplemental ordinance in substantially the form described in such notice, but only if there shall have first been delivered to the Bond Registrar (A) the required consents, in writing, of the registered owners, and (B) an opinion of Bond Counsel, stating that such supplemental ordinance is authorized or permitted by this ordinance and, upon the execution and delivery thereof, will be valid and binding upon the City in

accordance with its terms and will not adversely affect the exclusion from federal income taxation of interest on the Bonds

(4) If the registered owners of not less than the percentage of Parity Bonds required by this subsection (c) have consented to and approved the execution and delivery thereof as herein provided, no owner of the Parity Bonds shall have any right to object to the passage of such supplemental ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City or the Bond Registrar from passing the same or from taking any action pursuant to the provisions thereof

(5) Upon the execution and delivery of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all Owners shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such modifications and amendments

Section 26. Preliminary Official Statement Deemed Final.

The City has been provided with copies of the Preliminary Official Statement, prepared in connection with the sale of the Bonds. For the sole purpose of the Purchaser's compliance with Securities and Exchange Commission Rule 15c2-12(b)(1), the City "deems final" the Preliminary Official Statement, as of its date, except for the omission of information on offering prices, interest rates, selling compensation, delivery dates, ratings, and other terms of the Bonds dependent on such matters

Section 27. Undertaking to Provide Continuing Disclosure.

This section constitutes the City's written undertaking for the benefit of the Owners of the Bonds required by subsection (b)(5)(1) of the Rule

(a) The City hereby agrees to provide or cause to be provided to each then existing NRMSIR and to SID, if one is created, the following annual financial information and operating data (collectively, the "Annual Financial Information") for each prior fiscal year, commencing with the fiscal year ending December 31, 2008, on or before the last day of the seventh month following the end of such prior fiscal year

(1) Annual financial statements prepared in accordance with the generally accepted accounting principles applicable to governmental units, as such principles may be changed from time to time and as permitted by State law, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the City, they will be provided (the "Annual Financial Statements"),

(2) A statement of authorized, issued and outstanding bonded debt secured by the Net Revenue,

(3) Debt service coverage ratios, and

(4) General utility customer statistics of the type included in the Official Statement under the heading "THE SYSTEM",

(5) A narrative explanation of the reasons for any amendments to this Section 27 made during the previous fiscal year and the impact of such amendments on the Annual Financial Information being provided

In its provision of such financial information and operating data, the City may cross-reference to any "final official statement" (as defined in the Rule) available from the MSRB and documents theretofore provided to each then existing NRMSIR or the SID, if one is created

If not submitted as part of the Annual Financial Information, then when and if available, the City shall provide its Annual Financial Statements, which shall have been audited by such auditor as shall be then required or permitted by the State law, to each then existing NRMSIR and to the SID, if one is created

(b) The City further agrees to provide or cause to be provided, in a timely manner, to the SID, if one is created, and to either the MSRB or each then existing NRMSIR, notice of any of the following events with respect to the Bonds, if material

- 1 Principal and interest payment delinquencies,
- 2 Non-payment related defaults,
- 3 Unscheduled difficulties,
- 4 Unscheduled draws on credit enhancements reflecting financial difficulties,
- 5 Substitution of credit or liquidity providers, or their failure to perform,

- 6 Adverse tax opinions or events affecting the tax-exempt status of the Bonds,
- 7 Modification to rights of the Owners of the Bonds,
- 8 Optional redemptions of the Bonds,
- 9 Defeasances of the Bonds,
- 10 Release, substitution or sale of property securing repayment of the Bonds, and
- 11 Rating changes

The City also agrees to provide or cause to be provided, in a timely manner, to the SID, if one is created, and to either the MSRB or each then existing NRMSIR, notice of its failure to provide the Annual Financial Information for the prior fiscal year on or before the last day of the seventh month following the end of such prior fiscal year

(c) After the issuance of the Bonds, so long as the interests of the Owners of the Bonds will not be materially impaired thereby, as determined by a party unaffiliated with the City (including, without limitation, a trustee for the Owners, nationally recognized bond counsel or other counsel familiar with the federal securities law), or pursuant to a favorable "no-action letter" issued by the SEC, this Section 27 may only be amended in connection with any change in legal requirements, change in law, or change in the identity, nature or status of the obligated person, or type of business conducted, and only in such a manner that the undertaking of the City, as so amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances

(d) The City's obligations to provide Annual Financial Information and notices of certain events shall terminate without amendment upon the defeasance, prior redemption or payment in full of all of the then outstanding Bonds. This Section 27 or any provision hereof, shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel or other counsel familiar with the federal securities laws to the effect that those portions of the Rule which require this Section 27 or any such provision are invalid, have been repealed retroactively or otherwise do not apply to the Bonds, and (2) notifies and provides the SID, if any, and either the MSRB or each then existing NRMSIR with copies of such opinion

(e) The right of each Owner of Bonds to enforce the provisions of this Section 27 shall be limited to the right to obtain specific enforcement of the City's obligations under this Section 27, and any failure by the City to comply with the

provisions of this undertaking shall not be a default with respect to the Bonds under this ordinance

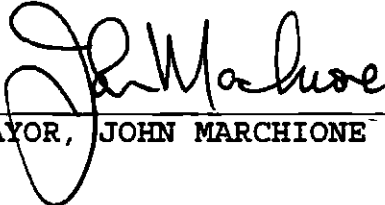
(f) Notwithstanding the foregoing, any provision herein requiring delivery of a notice or other information to the NRMSIRs and any SID shall be satisfied through delivery of such notice or other information to the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto or any other organization or method approved by the staff or members of the SEC as an intermediary through which issuers may make filings in compliance with Rule 15c2-12 (the "Central Post Office")

Section 28. Contract, Severability. The covenants contained in this ordinance shall constitute a contract between the City and the Owners of each and every Bond. The City unconditionally covenants that it will keep and perform all of the covenants of the Bonds and this ordinance. If any one or more of the provisions of this ordinance shall be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining provisions of this ordinance or the Bonds, and this ordinance and the Bonds shall be construed and enforced as if such unconstitutional or invalid provision had not been contained herein.

Section 29. Effective Date. This ordinance shall take effect from and after its passage and five days following its publication as required by law.

ADOPTED by the Redmond City Council this 18th day of
November, 2008

CITY OF REDMOND

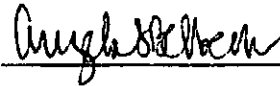

MAYOR, JOHN MARCHIONE

ATTEST/AUTHENTICATED


CITY CLERK, MICHELLE M MCGEHEE, CMC (SEAL)

APPROVED AS TO FORM

OFFICE OF THE CITY ATTORNEY

BY 

FILED WITH THE CITY CLERK
PASSED BY THE CITY COUNCIL
SIGNED BY THE MAYOR
PUBLISHED
EFFECTIVE DATE
ORDINANCE NO 2423

October 15, 2008
November 18, 2008
November 18, 2008
November 24, 2008
November 29, 2008