

CITY OF REDMOND, WASHINGTON

ORDINANCE NO. 1289

AN ORDINANCE of the City of Redmond, Washington, providing for the issuance of \$5,880,000 principal amount of Unlimited Tax General Obligation Refunding Bonds, 1985, of the City for the purpose of providing the funds to refund, pay and retire its outstanding General Obligation Bonds, 1967, Obligation Bonds, 1973, General Obligation Park Bonds, 1977, and General Obligation Various Purposes Bonds, 1979; fixing the date, form, maturities, interest rates, terms and covenants of such refunding bonds; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of such bonds and for the use and application of the money to be derived from such investments; authorizing the execution of an agreement with Seattle-First National Bank of Seattle, Washington, as Refunding Trustee; providing for the payment and redemption of the outstanding bonds to be refunded; and approving the sale and providing for the delivery of such refunding bonds to Boettcher & Company, Inc., of Seattle, Washington.

WHEREAS, the City of Redmond, Washington (the "City"), now has outstanding the following unlimited tax general obligation bonds:

\$90,000 principal amount of General Obligation Bonds, 1967 (the "1967 Bonds"), dated April 1, 1967, maturing on April 1 of each of the years 1986 and 1987, and bearing interest at the rate of 4.00% per annum;

\$85,000 principal amount of General Obligation Bonds, 1973 (the "1973 Bonds"), dated April 1, 1973, maturing serially on April 1 of each of the years 1986 through 1988, and bearing various interest rates from 5.30% to 5.40% per annum,

\$1,891,000 principal amount of General Obligation Park Bonds, 1977 (the "1977 Bonds"), dated February 1, 1977, maturing serially on February 1 of each of the years 1986 through 1997, and bearing various interest rates from 4.50% to 5% per annum; and

\$4,975,000 principal amount of General Obligation Various Purpose Bonds, 1979 (the "1979 Bonds"), dated July 1, 1979, maturing serially on July 1 of each of the years 1986 through 1999, and bearing various interest rates from 5.40% to 7%,

sometimes collectively referred to herein as the "Outstanding Refunded Bonds"; and

WHEREAS, after due consideration, it appears to the City Council that the Outstanding Refunded Bonds may be refunded by the issuance and sale of the bonds authorized herein (the "Bonds") so that a substantial savings will be effected by the difference between the principal and interest costs over the life of the Bonds and the principal and interest requirements over the life of the Outstanding Refunded Bonds but for such refunding, which refunding will be effected by:

- (a) the issuance of the Bonds; and
- (b) the payment of the principal of and interest on the 1967 Bonds as the same shall become due up to and including April 1, 1987, their final maturity;
- (c) the payment of the principal of and interest on the 1973 Bonds as the same shall become due up to and including April 1, 1988, their final maturity;
- (d) the payment of the principal of and interest on the 1977 Bonds as the same shall become due up to and including February 1, 1997, their final maturity; and
- (e) the payment of the principal of and interest on the 1979 Bonds as the same shall become due up to and including July 1, 1999, their final maturity;

and

WHEREAS, in order to effect such such refunding in the manner that will be most advantageous to the City and its taxpayers, it is found necessary and advisable that certain Acquired Obligations (hereinafter identified), bearing interest and maturing at such times as necessary to accomplish the refunding as aforesaid, be purchased out of the proceeds of the sale of the Bonds and other money of the City legally available therefor; NOW, THEREFORE,

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

Section 1. For the purpose of providing a part of the money required to:

(a) pay the principal of and interest on the 1967 Bonds as the same shall become due up to and including April 1, 1987;

(b) pay the principal of and interest on the 1973 Bonds as the same shall become due up to and including April 1, 1988;

(c) pay the principal of and interest on the 1977 Bonds as the same shall become due up to and including February 1, 1997; and

(d) pay the principal of and interest on the 1979 Bonds as the same shall become due up to and including July 1, 1999,

(the "Refunding Plan") the City shall issue the Bonds in the aggregate principal amount of \$5,880,000. The Bonds shall be dated December 15, 1985; shall be in the denomination of \$5,000 each or any integral multiple thereof within a single maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar (collectively, the fiscal agencies of the State of Washington located in Seattle, Washington and New York, New York) deems necessary for purpose of identification; shall bear interest at the rates set forth below, payable on June 1, 1986, and semiannually thereafter on each succeeding December 1 and June 1; and shall bear interest at the rates and mature on June 1 and December 1 in years and amounts as follows:

<u>Maturity Dates</u>	<u>Amounts</u>	<u>Interest Rates</u>
June 1, 1986	\$ 95,000	6.00%
December 1, 1986	160,000	6.00
June 1, 1987	220,000	6.50
December 1, 1987	115,000	6.50
June 1, 1988	230,000	6.75
December 1, 1988	90,000	6.75
June 1, 1989	240,000	7.00
December 1, 1989	105,000	7.00
June 1, 1990	255,000	7.25
December 1, 1990	110,000	7.25
June 1, 1991	280,000	7.40
December 1, 1991	120,000	7.40
June 1, 1992	305,000	7.55
December 1, 1992	130,000	7.55
June 1, 1993	320,000	7.70
December 1, 1993	140,000	7.70
June 1, 1994	340,000	7.85
December 1, 1994	155,000	7.85

<u>Maturity Dates</u>	<u>Amounts</u>	<u>Interest Rates</u>
June 1, 1995	370,000	8.00
December 1, 1995	170,000	8.00
June 1, 1996	395,000	8.20
December 1, 1996	185,000	8.20
June 1, 1997	415,000	8.30
**	**	**
June 1, 1998	450,000	8.40
**	**	**
June 1, 1999	485,000	8.50

If any Bond is not redeemed upon proper presentment at its maturity or call date, the City shall be obligated to pay interest at the same rate for each such Bond from and after its maturity or call date until such Bond, both principal and interest, is paid in full or until sufficient money for such payment in full is on deposit in the Bond Fund and such Bond has been called for payment.

Upon surrender thereof to the Bond Registrar, the Bonds may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Such exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be required to make any transfer or exchange during the fifteen days prior to any principal payment or redemption date.

The Bonds shall be issued only in registered form as to both principal and interest and recorded in the books and records maintained by the Bond Registrar (the "Bond Register"). The Bond Register shall contain the name and mailing address of the owner of each Bond and the principal amount and number of Bonds held by each owner.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to

the registered owners at the addresses appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date or, when requested in writing by a registered owner and approved by the City Finance Director, shall be paid on the interest payment date by wire transfer to the account identified by the requesting registered owner whose name, address and wire transfer account number appear on the Bond Register fifteen days preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either office of the Bond Registrar, in Seattle, Washington, and New York, New York, at the option of such owners.

Bonds maturing in the years 1986 through 1995 shall be issued without the right or option of the City to redeem the same prior to their stated maturity. The City reserves the right and option to redeem the Bonds maturing on or after June 1, 1996, as a whole, or in part in inverse order of maturity (and by lot within a maturity in such manner as the Bond Registrar shall determine), on December 1, 1995, and on any interest payment date thereafter, at par, plus accrued interest to the date of redemption. Portions of the principal amount of any Bond in installments of \$5,000 or any integral multiple of \$5,000 may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond or Bonds, at the option of the registered owner, of like maturity and interest rate in any of the denominations authorized by this ordinance.

Notice of any such intended redemption shall be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the

registered owner of any Bond to be redeemed at the address appearing on the Bond Register. 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 of any Bond. The interest on the Bonds so called for redemption shall cease on the date fixed for redemption unless such Bond or Bonds so called are not redeemed upon presentation made pursuant to such call. In addition, such redemption notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, or their successors, but such mailing shall not be a condition precedent to the redemption of such Bonds.

The City further reserves the right to purchase any or all of the Bonds in the open market at par plus accrued interest to date of such purchase.

Section 2. The City irrevocably pledges to levy taxes annually for as long as any of the Bonds is outstanding without limitation as to rate or amount on all the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay the principal of and interest on the Bonds as the same shall become due, and the full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 3. The Bonds shall be printed or lithographed on good bond paper in a form consistent with the provisions of this ordinance and state law, shall be signed by the Mayor and City Clerk, both of whose signatures shall be in facsimile, and a facsimile reproduction of the seal of the City shall be printed thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the following form, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This bond is one of the fully registered City of Redmond, Washington, Unlimited Tax General Obligation Refunding Bonds, 1985, described in the within mentioned Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By _____
Authorized Signature

Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

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

Section 4. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the City.

The Bond Registrar shall be responsible for its representations contained in the Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depositary 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 Bond owners.

Section 5. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 6. There is created and established in the office of the City Finance Director a special fund to be known and designated as the Unlimited Tax General Obligation Refunding Bond Fund, 1985 (the "Bond Fund"). The proceeds of the sale of the Bonds, exclusive of the accrued interest thereon which shall be paid into the Bond Fund, shall be used immediately upon the receipt thereof, together with the amount of \$380,000 from the General Obligation Bond Fund, 1967 (the "1967 Bond Fund"), the General Obligation Bond Fund, 1973 (the "1973 Bond Fund"), the General Obligation Park Bond Fund, 1977 (the "1977 Bond Fund") and the General Obligation Various Purpose Bond Fund, 1979 (the "1979 Bond Fund") (which amount may be increased or decreased as required when the exact purchase price of the Acquired Obligations is ascertained), to discharge to the extent practicable the obligations of the City under Ordinance No. 419 authorizing the 1967 Bonds, Ordinance No. 611 authorizing the 1973 Bonds, Ordinance No. 736 authorizing the 1977 Bonds and Ordinance No. 868 authorizing the 1979 Bonds, by providing for the carrying out of the Refunding Plan. Money or investments remaining in the 1967, 1973, 1977 and 1979 Bond Funds shall be transferred to the Bond Fund and expended for the payment of the interest on or principal of the Bonds first coming due. To the

extent practicable, the City shall discharge fully such obligations by the purchase of United States Treasury Certificates of Indebtedness, Notes and/or Bonds - State and Local Government Series (the "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with the beginning cash balance, for the carrying out of the Refunding Plan.

The Acquired Obligations are more particularly described and are set forth in Schedule A attached to the Refunding Trust Agreement hereinafter referred to and attached hereto as Exhibit A.

The Acquired Obligations and the beginning cash balance of \$305,323.33 (which amount may be increased or decreased) shall be deposited irrevocably with Seattle-First National Bank (the "Refunding Trustee"). The City reserves the right to substitute other direct United States obligations for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if, in the opinion of Roberts & Shefelman, the City's bond counsel, the Bonds will remain exempt from federal income taxation under Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder, and if such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan.

The Refunding Trustee is authorized and directed to make the payments required to be made by the Refunding Plan from the Acquired Obligations and money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations and the money deposited with the Refunding Trustee and any income therefrom shall be held, invested and applied in accordance with the provisions of Ordinances Nos. 419, 611, 736

and 868, this ordinance, Chapter 39.53 RCW and other applicable statutes of the State of Washington.

All necessary and proper fees, compensation and expenses of the Refunding Trustee for the Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Outstanding Refunded Bonds and costs related to the issuance and delivery of the Bonds including bond printing, rating service fees, bond counsel's fees and other related expenses shall be paid out of the proceeds of the Bonds.

In order to carry out the purposes of this ordinance, the Mayor and City Finance Director of the City are directed to execute the Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the carrying out of the Refunding Plan as provided herein and stating that such provisions for the payment of the fees, compensation and expenses of such Refunding Trustee are satisfactory to it.

Section 7. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have money available from any other lawful source, to pay the principal of and interest on the Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Bonds and to pay the costs of refunding, and shall have set aside irrevocably in a special fund for and pledged to such payment and refunding money and/or direct obligations of the United States of America or other legal investments sufficient in amount, together with known earned income from the investments thereof, to make such payments and to accomplish the refunding as scheduled (hereinafter called the "trust account"), and shall make irrevocable provision for redemption of such Bonds, then in that case all right and interest of the owners of the Bonds to be so

retired or refunded (hereinafter collectively called the "defeased Bonds") in the covenants of this ordinance and, except as hereinafter provided, in the funds and accounts obligated to the payment of such Bonds shall thereafter cease and become void. Such owners shall thereafter have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account and, in the event the funds in the trust account are not available for such payment, shall have the right to receive payment of the principal of and interest on the defeased Bonds from the funds and accounts obligated to the payment of such Bonds. Anything herein to the contrary notwithstanding, the pledge of the full faith and credit of the City to the payment of the Bonds shall remain in full force and effect after the establishing and full funding of such trust account. Subject to the rights of the owners of Bonds, the City may then 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.

Section 8. The City covenants that it will not take or permit to be taken on its behalf any action which would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds. Without limiting the generality of the foregoing, and except to the extent the investment of any Bond proceeds is limited to a yield required to comply with federal arbitrage regulations, the City will spend the proceeds of the Bonds for the purpose specified herein and will not invest or make other use of the proceeds of the Bonds or of its other money at any time during the term of the Bonds, which if such use had been

reasonably expected at the date that the Bonds are issued, would have caused such Bonds to be arbitrage bonds within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder.

The City further covenants that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

Section 9. Boettcher & Company, Inc., of Seattle, Washington, has presented a Bond Purchase Agreement (the "Purchase Agreement") to the City whereunder Boettcher & Company, Inc., has offered to purchase the Bonds under the terms and conditions provided in the Purchase Agreement and to purchase on behalf of the City the Acquired Obligations at the prices specified in Schedule A of Exhibit A (subject to substitution), 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 by City officials.

The Bonds will be printed at City expense and will be delivered to the purchaser in accordance with the Purchase Agreement offer with the approving legal opinion of Roberts & Shefelman, municipal bond counsel of Seattle, Washington, relative to the issuance of the bonds, printed on each bond. Bond counsel shall not be required to review or express any opinion concerning the completeness or accuracy of any official statement, offering circular or other sales material issued or used in connection with the Bonds and bond counsel's opinion shall so state.

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

Section 10. Pending the printing, execution and delivery to the purchaser of the definitive Bonds, the City may cause to be executed and delivered to such purchaser a single temporary Bond or Bonds in the aggregate principal amount of \$5,880,000. Such temporary Bond or Bonds shall bear the same date of issuance, interest rates, principal payment dates and terms and covenants as the definitive Bonds, and shall be issued as a fully registered Bond or Bonds in the name of such purchaser, and shall be in such form as acceptable to such purchaser. Such temporary Bond or Bonds shall be exchanged for the definitive Bonds as soon as the same are printed, executed and available for delivery. If the Acquired Obligations are not acquired by the Refunding Trustee and the definitive Bonds are not ready for exchange and delivery within 45 days from the date of delivery of the temporary Bond or Bonds, such temporary Bond or Bonds shall be immediately retired at the original purchase price. therefor plus accrued interest from money deposited with the Refunding Trustee.

Section 11. This ordinance shall be in full force and effect five (5) days after its passage and publication as required by law.

CITY OF REDMOND, WASHINGTON

Doreen Marchione
MAYOR, DOREEN MARCHIONE

ATTEST:

Doris A Schaille
City Clerk, DORIS A. SCHAIBLE

APPROVED AS TO FORM
OFFICE OF CITY ATTORNEY

By

James C. Martin

FILED WITH THE CITY CLERK: December 12, 1985
PASSED BY THE CITY COUNCIL: December 17, 1985
SIGNED BY THE MAYOR: December 18, 1985

PUBLISHED: December 22, 1985
EFFECTIVE DATE: December 27, 1985

1428r

EXHIBIT A

REFUNDING TRUST AGREEMENT

THIS AGREEMENT made and entered into as of the 30th day of December, 1985, by and between the CITY OF REDMOND, WASHINGTON (the "City"), and SEATTLE-FIRST NATIONAL BANK, Seattle, Washington (the "Refunding Trustee");

W I T N E S S E T H:

SECTION 1. Recitals. The City has outstanding the following unlimited tax general obligation bonds:

\$90,000 principal amount of General Obligation Bonds, 1967 (the "1967 Bonds"), dated April 1, 1967, maturing on April 1 of each of the years 1986 and 1987, and bearing interest at the rate of 4.00% per annum;

\$85,000 principal amount of General Obligation Bonds, 1973 (the "1973 Bonds"), dated April 1, 1973, maturing serially on April 1 of each of the years 1986 through 1988, and bearing various interest rates from 5.30% to 5.40% per annum,

\$1,891,000 principal amount of General Obligation Park Bonds, 1977 (the "1977 Bonds"), dated February 1, 1977, maturing serially on February 1 of each of the years 1986 through 1997, and bearing various interest rates from 4.50% to 5% per annum; and

\$4,975,000 principal amount of General Obligation Various Purpose Bonds, 1979 (the 1979 bonds"), dated July 1, 1979, maturing serially on July 1 of each of the years 1986 through 1999, and bearing various interest rates from 5.40% to 7%, and

(sometimes collectively referred to herein as the "Outstanding Bonds") and, pursuant to Ordinance No. 1289 (the "Refunding Bond Ordinance") the City has determined to:

(a) pay the principal of and interest on the 1967 Bonds as the same shall become due up to and including April 1, 1987;

(b) pay the principal of and interest on the 1973 Bonds as the same shall become due up to and including April 1, 1988;

(c) pay the principal of and interest on the 1977 Bonds as the same shall become due up to and including February 1, 1997; and

(d) pay the principal of and interest on the 1979 Bonds as the same shall become due up to and including July 1, 1999,

(the "Refunding Plan") out of the proceeds of the sale of its Unlimited Tax General Obligation Refunding Bonds, 1985 (the "Refunded Bonds"), and other City money legally available *therefor*.

SECTION 2. Provisions for Refunding the Outstanding Bonds. To accomplish the refunding of all of the Outstanding Refunded Bonds as aforesaid, the City, simultaneously with the delivery of the Refunding Bonds issued pursuant to the Refunding Bond Ordinance, agrees to deposit irrevocably with the Refunding Trustee in trust for the security and benefit of the holders and owners of the Outstanding Refunded Bonds and the Refunding Bonds, the sum of \$305,323.33 in cash and certain Acquired Obligations with amounts, interest rates and maturities as more particularly set forth in Schedule A attached to this Agreement and by this reference incorporated herein, which securities hereinafter are referred to as Acquired Obligations. Such cash and Acquired Obligations, with the investment income therefrom, will be sufficient to provide the funds required to make, when due, the payments required to be made by the Refunding Plan.

The City reserves the right to substitute other direct United States obligations for any of the Acquired Obligations if, in the opinion of Roberts & Shefelman, the Refunding Bonds will remain exempt from Federal income taxation under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable regulations thereunder, and if such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan.

SECTION 3. Provisions Applicable to Refunding. On or before the delivery of the Refunding Bonds, the City agrees that it will cause to be delivered to the Refunding Trustee a statement setting forth the amount of interest and principal to be paid on each semiannual interest payment and principal payment date on the Outstanding Refunded Bonds.

SECTION 4. Disbursements by Refunding Trustee. The Refunding Trustee shall present for payment on the due date thereof the Acquired Obligations so deposited and shall apply the proceeds derived therefrom in accordance with the provisions of this section.

Money shall be transferred by the Refunding Trustee to the City Finance Director, or to either fiscal agency of the State of Washington in Seattle, Washington, or New York, New York (the "Fiscal Agent"), in amounts sufficient to pay the interest on and principal of the Outstanding Refunded Bonds coming due and payable on or before each payment date.

SECTION 5. Restrictions on Reinvestment of Funds; Custody and Safekeeping of Acquired Obligations. All money deposited with the Refunding Trustee or received by the Refunding Trustee as maturing principal or interest on Acquired Obligations prior to the time required to make the payments hereinbefore set forth shall be reinvested in United States Treasury Certificates of Indebtedness, Notes and/or Bonds -- State and Local Government Series, bearing interest at a rate of 0%. Subscriptions for the purchase of such obligations shall be filed with the Federal Reserve Bank at least 20 days (but not more than 60 days) prior to the actual date of purchase, or at such time as may be required by the then applicable rules and regulations relating to the purchase of such obligations.

All income derived from the Acquired Obligations and any money deposited with the Refunding Trustee pursuant to Section 2 hereof in the hands of the Refunding Trustee (which money is not required to make the payments hereinbefore required to be made) shall be paid to the City Finance Director or Fiscal Agent for the credit of the Unlimited Tax General Obligation Refunding Bond Fund, 1985, of the City (the "Bond Fund") as and when realized and collected for use and application as other money deposited in such Bond Fund.

For as long as any of the Outstanding Refunded Bonds is outstanding, on or before the 10th day of every month, commencing with the month of January, 1986, the Refunding Trustee shall render a statement as of the last day of the

preceding month to City, which statement shall set forth the Acquired Obligations which have matured and the amounts received by the Refunding Trustee by reason of such maturity, the investment income received from such Acquired Obligations, the amounts paid to the City or Fiscal Agent for the payments required to be made by the Refunding Plan, and any other transactions of the Refunding Trustee pertaining to its duties and obligations as set forth herein.

All Acquired Obligations, money and investment income deposited with or received by the Refunding Trustee pursuant to this Agreement shall be subject to the trust created by this Agreement and the Refunding Trustee shall be liable for the preservation and safekeeping thereof.

SECTION 6. Substituted Securities. Notwithstanding the foregoing or any other provision of this Agreement, at the request of the City and upon compliance with the conditions hereinafter stated, the Refunding Trustee shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of any or all of the Acquired Obligations held hereunder and to substitute therefor direct obligations of the United States of America, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, subject to the condition that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, making all required payments at the times

prescribed. The City covenants and agrees that it will not request the Refunding Trustee to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the issue date of the Refunding Bonds. The Refunding Trustee shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Acquired Obligations held hereunder or from other money available. The transactions may be effected only if there shall have been obtained at the expense of the City: (1) an independent verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee concerning the adequacy of such substituted securities with respect to the principal of and the interest thereon and any other money or securities held for such purpose to carry out the Refunding Plan, making all required payments at the times prescribed; and (2) an opinion to the City from Roberts & Shefelman, bond counsel to the City, to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable to the Refunding Bonds, cause the interest on the Refunding Bonds not to be exempt from Federal income taxation and that such disposition and substitution or purchase is not

inconsistent with the statutes and regulations applicable to the Refunding Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations held hereunder and the substitutions therefor of direct obligations of the United States of America, shall be released from the trust estate and shall be transferred to the City.

SECTION 7. Duties and Obligations of Refunding Trustee.

The duties and obligations of the Refunding Trustee shall be as prescribed by the provisions of this Agreement, and the Refunding Trustee shall not be liable except for the performance of its duties and obligations as specifically set forth herein and to act in good faith in the performance thereof and no implied duties or obligations shall be incurred by such Refunding Trustee other than those specified herein.

The Refunding Trustee may consult with counsel of its choice (except as provided below) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or not taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. For any questions relating to the tax exempt status of the Outstanding Refunded Bonds or the Refunding Bonds, the Refunding Trustee must consult with Roberts & Shefelman, bond counsel to the City.

Provisions for the fees, compensation and expenses of the Refunding Trustee satisfactory to it have been made.

CITY OF REDMOND, WASHINGTON

By *Rosee Marchione*
Mayor

ATTEST:

City Finance Director

SEATTLE-FIRST NATIONAL BANK

By _____
Trust Officer

1431r

SCHEDULE A

RESTRICTED ACQUIRED OBLIGATIONS

<u>TYPE*</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
LC	\$74,100.00	0%	4/1/86
LC	244,900.00	0	7/1/86
LN	96,600.00	0	2/1/87
LN	77,500.00	0	4/1/87
LN	253,100.00	0	7/1/87
LN	94,700.00	0	2/1/88
LN	30,800.00	0	4/1/88
LN	259,100.00	0	7/1/88
LN	84,100.00	0	2/1/89
LN	265,500.00	6.8152	7/1/89
LN	88,800.00	9.9006	2/1/90
LN	281,800.00	8.9500	7/1/90
LN	98,800.00	8.9906	2/1/91
LN	306,300.00	9.0606	7/1/91
LN	115,200.00	9.2020	2/1/92
LN	331,300.00	9.3103	7/1/92
LN	133,800.00	9.3906	2/1/93
LN	352,200.00	9.4103	7/1/93
LN	149,400.00	9.4400	2/1/94
LN	378,900.00	9.4600	7/1/94
LN	172,000.00	9.4800	2/1/95
LN	411,100.00	9.5000	7/1/95
LB	10,700.00	9.5200	1/1/96
LB	186,500.00	9.5206	2/1/96
LB	439,700.00	9.5403	7/1/96
LB	24,100.00	9.5700	1/1/97
LB	201,500.00	9.5706	2/1/97
LB	200,300.00	9.5903	7/1/97

UNRESTRICTED INVESTMENTS

<u>TYPE*</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
BD	275,000.00	0%	5/15/97
BD	26,000.00	0	11/15/97
BD	496,000.00	0	5/15/98
BD	13,000.00	0	11/15/98
BD	512,000.00	0	5/15/99

*LC - SLGS Certificates of Indebtedness
LN - SLGS Note
LB - SLGS Bonds
BD - U.S. Treasury Bonds



Boettcher & Company
Investment Bankers Since 1910 Inc.

One Union Square Building
Suite 2010
600 University Street
Seattle, Washington 98101
(206) 587-5775

\$5,880,000

City of Redmond, Washington
General Obligation Refunding Bonds, 1985

PURCHASE CONTRACT

Honorable Mayor and City Council
City Hall
Redmond, Washington

Ladies and Gentlemen:

Boettcher and Company, Inc. (the "Purchaser") offers to purchase from the City of Redmond, Washington (the "City"), all the aforementioned bonds (the "Bonds"), with delivery and payment in Seattle, Washington based upon the covenants, representations and warranties set forth below. Appendix A, which is incorporated into this Purchase Contract by reference, contains a brief description of the Bonds, the manner of their issuance, the purchase price to be paid, and the date of delivery and payment (the "Closing").

1. Prior to the Closing, the City will approve an Official Statement, and will adopt a Bond Ordinance (the "Bond Ordinance") satisfactory in form and substance to Purchaser. Purchaser is authorized by the City to use these documents and the information contained in them in connection with the offering and sale of the Bonds.

2. You represent and covenant to the Purchaser that:

(a) You have and will have at the Closing the power and authority to enter into and perform this Purchase Contract, to adopt the Bond Ordinance and to deliver and sell the Bonds to the Purchaser;

(b) this Purchase Contract and the Bonds do not and will not conflict with or create a breach or default under any existing law, regulation, order or agreement to which the City is subject;

(c) no governmental approval or authorization other than the Bond Ordinance is required in connection with the sale of the Bonds to the Purchaser;

(d) this Purchase Contract and the Bonds (when paid for by the Purchaser) are and shall be at the time of Closing legal, valid, and binding obligations of the City enforceable in accordance with their terms, subject only to applicable bankruptcy, insolvency or other similar laws generally affecting creditors' rights; and,

3. As conditions to Purchaser's obligations hereunder:

(a) From the time of City's acceptance of this Purchase Contract to the date of Closing, there shall not have been any:

(i) material adverse change in the financial condition or general affairs of the City;

(ii) event, court decision, proposed law or rule which may have the effect of changing the federal income tax incident to the Bonds or the contemplated transactions; or

(iii) international or national crisis, suspension of stock exchange trading or banking moratorium materially affecting, in Purchaser's opinion, the market price of the Bonds.

(b) At the Closing, the City will deliver or make available to Purchaser:

(i) The Bonds, in definitive or temporary form, duly executed and bearing proper CUSIP numbers;

(ii) The unqualified approving opinion of Bond Counsel satisfactory to Purchaser, dated the Closing Date, relating to the legality and tax-exempt status of the Bonds;

(c) Prior to Closing, Moody's Investors Service shall have assigned its rating of "A-1" to the Bonds.

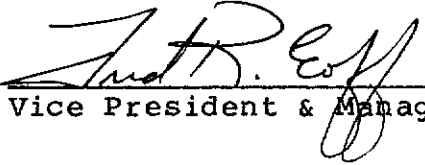
(iii) Such additional certificates, instruments and other documents (including, without limitation, those set forth on Appendix A) as the Purchaser may deem necessary with respect to the issuance and sale of the Bonds, all in form and substance satisfactory to Purchaser;

4. From the proceeds of the Bonds shall be paid the cost of preparing, printing, and executing the Bonds, the costs of printing and distributing the preliminary official statement and the official statement, the costs of closing and delivery, the fees and disbursements of Bond Counsel, and miscellaneous City expenses, and Purchaser will pay all other costs incurred by Purchaser in connection with the offering and distribution of the Bonds.

6. This offer expires on the date set forth on Appendix A.

Very Truly Yours,

BOETTCHER AND COMPANY, INC.

BY: 
Vice President & Manager

ACCEPTED BY:

THE CITY OF REDMOND, WASHINGTON

This 17th day of December, 1985

BY: 

APPENDIX A

City of Redmond, Washington
General Obligation Refunding Bonds, 1985

DESCRIPTION OF BONDS

- a. Purchase Price: \$97.50 per \$100 par amount, or 97.5% plus accrued interest from December 15, 1985.
- b. Denomination: \$5,000, or integral multiples thereof as specified by Purchaser.
- c. Form: Fully registered as to principal and interest.
- d. Interest Payable: Semiannually, commencing June 1, 1986.
- e. Maturity Schedule: Bonds shall mature and shall bear interest at the rates and in the amounts specified below:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
6/1/86	\$ 95,000	6.00%
12/1/86	160,000	6.00
6/1/87	220,000	6.50
12/1/87	115,000	6.50
6/1/88	230,000	6.75
12/1/88	90,000	6.75
6/1/89	240,000	7.00
12/1/89	105,000	7.00
6/1/90	255,000	7.25
12/1/90	110,000	7.25
6/1/91	280,000	7.40
12/1/91	120,000	7.40
6/1/92	305,000	7.55
12/1/92	130,000	7.55
6/1/93	320,000	7.70
12/1/93	140,000	7.70
6/1/94	340,000	7.85
12/1/94	155,000	7.85
6/1/95	370,000	8.00
12/1/95	170,000	8.00
6/1/96	395,000	8.20
12/1/96	185,000	8.20
6/1/97	415,000	8.30
6/1/98	450,000	8.40
6/1/99	485,000	8.50

- f. Redemption: The Bonds are redeemable at the option of the City as more fully described in the official statement and the Bond Ordinance.
- g. Closing Date: On or about December 30, 1985
- h. Miscellaneous:

Section 3 (b) iii. Bond Counsel: Roberts & Shefelman

Section 6. Offer Expires: December 18, 1985