

CITY OF REDMOND, WASHINGTON

ORDINANCE NO. 723

AN ORDINANCE providing for the issuance of \$920,000.00 par value of "Water and Sewer Revenue Refunding Bonds, 1976," for the purpose of obtaining a part of the funds with which to refund, pay and retire on June 1, 1991, the outstanding "Water and Sewer Revenue Bonds, 1975," of the City; fixing the date, form, denomination, maturities, interest rate, terms and covenants of such refunding bonds; creating a special account in the bond redemption fund of the bonds being refunded to provide for the refunding operation; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of such refunding bonds and other moneys of the City and for the use and application of the moneys to be derived from such investment; providing for the payment and redemption of the outstanding bonds to be refunded; and confirming the sale and providing for the delivery of the refunding bonds to Seattle-Northwest Securities Corporation of Seattle, Washington.

WHEREAS, the City of Redmond, Washington (hereinafter called the "City"), now owns, maintains and operates its combined water and sewerage system, which such combined systems comprise the waterworks utility of the City; and

WHEREAS, by Section 11 of Ordinance No. 206 of the Town (now City) of Redmond, which authorized the issuance of the "Water and Sewer Revenue Bonds, 1957," since refunded by the "Water and Sewer Refunding and Construction Revenue Bonds, 1967," the City reserved the right to issue additional water and sewer revenue bonds, which shall constitute a charge and lien upon the gross revenues of the waterworks utility of the City, including the system of sewerage as a part thereof, on a parity with the "Water and Sewer Revenue Bonds, 1957," if the following conditions shall be met and complied with at the time of the issuance of such additional bonds:

"a. That all payments required to be made into the bond redemption fund for the outstanding 'Water Revenue Bonds, 1951,' dated August 1, 1951, shall have been made;

"b. That all payments required by this ordinance and any ordinance hereafter enacted pertaining to said 'Water and Sewer Revenue Bonds, 1957,' shall have been made into the Bond Fund;

"c. That the revenues of the said waterworks utility, including the sewerage system to be acquired as a part thereof, plus the additional revenues reasonably anticipated to be received as a result of the making of the improvements in connection with which the additional revenue bonds are proposed to be issued, shall be and be deemed sufficient, after the payment of normal operation and maintenance costs and taxes, to equal at least 1.40 times the average annual principal and interest requirements of all then outstanding water revenue bonds and/or water and sewer revenue bonds, including the bonds of the issue authorized herein and of the additional water and sewer revenue bonds proposed to be so issued. Such determination of the sufficiency of the revenues shall be made and certified to by either a professional engineer or a certified public accountant experienced in municipal utilities and licensed to practice in the State of Washington; provided, however, that this certificate shall not be required in the event that the additional bonds proposed to be so issued are issued for the purpose of refunding outstanding water and sewer revenue bonds and the average annual debt service requirements of such proposed additional revenue bonds are not increased over the requirements for the bonds being so refunded; and

"d. That the ordinance authorizing the issuance of such additional bonds shall provide that an amount equal to the average annual debt service of the additional bonds proposed to be issued shall be accumulated as a reserve in the bond redemption fund created for such additional bonds or in a separate reserve fund, such amount to be accumulated by monthly deposits commencing not later than one month after the date of issuance of the bonds and to be accumulated within five years after the date of issuance; provided, however, that in the case of refunding bonds the ordinance authorizing the issuance of such refunding bonds shall provide that the moneys in the Reserve Account for the bonds to be refunded shall be transferred to the Reserve Account or a separate reserve fund for the refunding bonds or that the moneys in the Reserve Account for the bonds to be refunded shall be used to redeem such bonds, in which event an amount equal to the average annual debt service for the refunding bonds proposed to be issued shall be accumulated as a reserve in the same manner and within the same times as set forth herein for additional revenue bonds."; and

WHEREAS, pursuant to Ordinance No. 238, \$47,000.00 par value of "Water and Sewer Revenue Bonds, 1960," were issued and sold under date of March 1, 1960, on a parity of lien with said "Water and Sewer Revenue Bonds, 1957," in accordance with the provisions of

Section 11 of said Ordinance No. 206, to provide the funds necessary to carry out the system or plan of additions to and betterments and extensions of the waterworks utility of the City, as adopted in Ordinance No. 238; and

WHEREAS, pursuant to Ordinance No. 294, passed by the City Council and approved by the Mayor on September 27, 1962, the City heretofore issued and sold \$625,000.00 par value of "Water and Sewer Revenue Bonds, 1962, Series A," to obtain the funds with which to pay the cost of carrying out a portion of the system or plan of additions to and betterments and extensions of the waterworks utility of the City, adopted by Ordinance No. 289, as amended by Ordinance No. 293, which bonds were issued under date of October 1, 1962, on a parity with the then outstanding "Water and Sewer Revenue Bonds, 1957," and the outstanding "Water and Sewer Revenue Bonds, 1960," pursuant to the provisions of Section 11 of Ordinance No. 206; and

WHEREAS, pursuant to Ordinance No. 420, passed by the City Council and approved by the Mayor on February 14, 1967, the City issued and sold \$500,000.00 par value of "Water and Sewer Refunding and Construction Revenue Bonds, 1967," to obtain the funds (a) to pay the cost of carrying out a system or plan of additions to and betterments of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted in that Ordinance, (b) to pay the cost of carrying out a portion of the system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted in Ordinance No. 373 of the City, and (c) to pay, retire and refund all outstanding "Water and Sewer Revenue Bonds, 1957," and "Water and Sewer Revenue Bonds, 1960," which 1967 Bonds were issued under date of March 1, 1967, on a parity with the "Water and Sewer Revenue Bonds, 1962, Series A," pursuant to the provisions of Section 11 of Ordinance No. 206; and

WHEREAS, by Section 13 of Ordinance No. 420, the City reserved the right to issue additional water and sewer revenue bonds

constituting a charge and lien upon the gross revenues of the waterworks utility of the City, including the system of sewerage as a part thereof, on a parity of lien with the "Water and Sewer Refunding and Construction Revenue Bonds, 1967," if the following conditions shall be met and complied with at the time of the issuance of such additional bonds:

"(a) At the time of the issuance of such Parity Bonds there shall not be any deficiency in any fund or account created for the payment of or to secure the payment of any Bonds or Parity Bonds then outstanding.

"(b) Each Ordinance providing for the issuance of such Parity Bonds shall require that any and all assessments levied in any utility local improvement district or districts in which improvements will be constructed from the proceeds of such Parity Bonds will be paid directly into the Bond Fund.

"(c) Each Ordinance providing for the issuance of such Parity Bonds for refunding purposes shall require that all uncollected U.L.I.D. Assessments which may have been levied to secure the payment of the principal of and interest on the bonds being refunded will be paid directly into the Bond Fund and that all moneys held in any fund or account of the City created for the purpose of paying the principal of and interest on the bonds being refunded be either used to pay the principal of and interest on such bonds or be transferred or paid into the Bond Fund.

"(d) Each Ordinance providing for the issuance of such Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Bond Fund. Each such Ordinance shall further provide that the City will pay into the Reserve Account out of the U.L.I.D. Assessments required to be paid into the Bond Fund and, if necessary, out of moneys in the Water and Sewer Fund and revenue of the waterworks utility of the City approximately equal annual amounts which, together with the balance then in the Reserve Account and the Reserve Account in the 1962 Bond Fund, will equal within five years after the date of issuance of such Parity Bonds, the average annual amount (excluding from such average any Term Bond Maturity Year) required to pay the principal of and interest on the Bonds and all Parity Bonds then outstanding, including such additional or refunding revenue bonds, but excluding any bonds to be refunded thereby. In the event no U.L.I.D. Assessments are levied to secure the payment of such Parity Bonds, or there are no outstanding U.L.I.D. Assessments levied to secure the payment of the principal of and interest on the revenue bonds being refunded by such refunding Parity Bonds, then the City shall make the payments necessary to establish the required balance in the Reserve Account within five years from the date of the issuance of such Parity Bonds in approximately equal monthly amounts.

"(e) At the time of the issuance of such Parity Bonds the City shall have on file a certificate from any licensed professional engineer experienced in the design, construction and operation of municipal utilities (which certificate may not be dated more than ninety days prior to the date of delivery of such Parity Bonds) showing that in his professional opinion the 'annual income available for revenue bond debt service' for each year after the date of issuance of such Parity Bonds shall be at least 1.30 times the average annual amount (computed as of the delivery date of the Parity Bonds) required to be paid into the Bond Fund, exclusive of any Term Bond Maturity Year, for the payment of the principal of and interest on the Bonds and Parity Bonds; provided, however, that this certificate shall not be required if the proposed Parity Bonds are refunding bonds and the average annual debt service requirements on the refunding bonds are not increased over the average annual debt service requirements on the bonds being refunded.

"Such annual income available for revenue bond debt service shall be determined by adding the annual adjusted net income derived from revenues, computed as provided in subparagraph 1 and the annual installments of the U.L.I.D. Assessments that will be collected each year computed as provided in subparagraph 2.

"1. Such annual adjusted net income derived from revenues shall be determined as follows:

"a. The net income of the waterworks utility of the City for any twelve consecutive months out of the twenty-four months immediately preceding the month of delivery of such Parity Bonds shall be determined from an audit of the Division of Municipal Corporations of the State Auditor's office, if available, or from a financial statement of the waterworks utility of the City prepared by an independent Certified Public Accountant, or a financial statement of the waterworks utility of the City authenticated by the City Clerk.

"The words 'net income' as used in the preceding subparagraph a shall mean the revenue of the waterworks utility of the City less operating and maintenance expenses but excluding depreciation.

"b. Such historical net income shall be adjusted to reflect a full twelve months' income from the rates and charges effective on the date of such certificate if there has been any change in such effective rates and charges during or after such twelve-consecutive-month period.

"c. The following amounts may be added to such adjusted net income:

- "(1) The net income derived from those customers of the waterworks utility of the City that have become customers during such twelve-consecutive-month period or thereafter and prior to the date of such certificate, adjusted to reflect a year's net income from each such customer.
- "(2) The annual net income to be derived from the potential customers, wherever located on the waterworks utility of the City who have paid the required connection charge or permit.
- "(3) The annual net income to be derived by the waterworks utility of the City from any person, firm, association, corporation or municipal corporation under any executed service contract which income is not included in any of the sources of net income heretofore described in this subparagraph 1.
- "(4) The annual net income to be derived by the waterworks utility of the City as a result of any facilities of the waterworks utility of the City under construction but not completed at the time of such certificate, which income is not included in any of the sources of income heretofore described in this subparagraph 1.
- "(5) The annual net income to be received each year by the waterworks utility of the City as a result of any facilities of the waterworks utility of the City to be acquired, constructed or installed out of the proceeds of the sale of such Parity Bonds.

"The amount of the annual adjusted net income derived from revenues determined as provided immediately above shall be computed as part of the annual income available for revenue bond debt service for each succeeding year to and including the last year that any Bonds and any Parity Bonds then outstanding mature.

"2. Such annual installments of U.L.I.D. Assessments that will be collected each year shall be determined as follows:

- "a. The amount of the unpaid balance of each assessment roll of any utility local improvement district or districts of the City which has been or will have been levied to secure the payment of any Parity Bonds then outstanding shall be obtained from the records of the City Treasurer. In the event that the period permitted by law for the payment of assessments without penalty or interest has not elapsed for one or more of such assessment rolls, fifteen percent of each such assessment roll shall be deducted therefrom as the estimated amount that would be paid during that period (hereinafter called 'Estimated Prepayments').
- "b. Five percent of each such balance shall be deducted for estimated delinquency in assessment payments.
- "c. The balance then remaining on each such assessment roll shall be divided by the number of years in which the installments of such assessments on each such roll may be paid without becoming delinquent, and there shall be added to the amount found for each year the interest due and payable on such installments.

"The amount so due each year shall be computed as part of the annual income available for revenue bond debt service for the particular year in which it is computed to become due.

- "3. Before such Parity Bonds may be issued such certificate must also set forth a schedule showing the amortization of the Bonds and any Parity Bonds, which schedule must provide for the retirement of all Term Bonds on or before their respective maturity date or dates. All Estimated Prepayments of U.L.I.D. Assessments, all money in the Bond Fund on the date of such certificate, including the money paid into the Reserve Account therein, interest earned and to be earned each year on the investment of such money and ninety percent of the surplus annual income available for revenue bond debt service remaining after the payment of annual fixed debt service on all of such bonds may be computed as having been applied for the retirement, plus call premium, if any, of any of such bonds, Term or otherwise, ahead of their fixed maturities and in accordance with their call provisions. The annual interest thus saved by the amortization of any or all of such bonds ahead of their fixed maturities may then be deducted from the regular annual fixed debt service required to be used in determining whether the required coverage condition for the issuance of such Parity Bonds on a parity basis with outstanding Bonds can be met.

"(f) In the event that any Parity Bonds are issued for the sole purpose of exchanging with or providing funds to purchase and retire prior to their maturity any of the Bonds or any Parity Bonds or any part of such bonds and the issuance of such Parity Bonds and retirement of outstanding bonds results in a monetary saving to the City, and such refunding bonds will not require a greater average annual amount to be paid thereafter than would have been required to be paid on the bonds being refunded, then the certificate required in subsection (e) of this Section need not be obtained to permit such Parity Bonds to be issued on a parity with any Bonds or Parity Bonds then outstanding, although the provisions of subsection (a), (c) and (d) of this section must still be complied with.

"To the extent that any provisions of this section are inconsistent with the provisions of Section 11 of Ordinance No. 206 pertaining to the issuance of Parity Bonds, the provisions of this section shall govern as to any Parity Bonds hereafter issued."; and

WHEREAS, pursuant to Ordinance No. 471, passed by the City Council and approved by the Mayor on July 9, 1968, the City issued and sold \$1,000,000.00 par value of "Water and Sewer Revenue Bonds, 1968," for the purpose of obtaining funds (a) to pay the cost of carrying out the system or plan of additions to and betterments and extensions of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted by said Ordinance No. 471, and (b) to pay the cost of carrying out a portion of the systems or plans of additions to and betterments and extensions of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted in Ordinances Nos. 305, 393, as amended, 410 and 420, which "Water and Sewer Revenue Bonds, 1968," were issued on a parity of lien with the outstanding "Water and Sewer Revenue Bonds, 1962, Series A," and "Water and Sewer Refunding and Construction Revenue Bonds, 1967," pursuant to the provisions of Section 11 of Ordinance No. 206 and Section 13 of Ordinance No. 420; and

WHEREAS, pursuant to Ordinance No. 703, passed by the City Council and approved by the Mayor on December 16, 1975, the City issued and sold \$900,000.00 par value of "Water and Sewer Revenue Bonds, 1975," for the purpose of obtaining funds to pay a part of the cost of carrying out the system or plan of additions to and

betterments and extensions of the waterworks utility of the City, including the system of sewerage as a part thereof, specified and adopted in Ordinance No. 681, which "Water and Sewer Revenue Bonds, 1975," were issued on a parity of lien with the outstanding "Water and Sewer Revenue Bonds, 1962, Series A," "Water and Sewer Refunding and Construction Revenue Bonds, 1967," and "Water and Sewer Revenue Bonds, 1968," pursuant to the provisions of Section 11 of Ordinance No. 206, Section 13 of Ordinance No. 420 and Section 13 of Ordinance No. 471; and

WHEREAS, as provided in Ordinance No. 703 and in the outstanding "Water and Sewer Revenue Bonds, 1975" (hereinafter called the "1975 Bonds"), the City reserved the right to redeem such 1975 Bonds as a whole, or in part in inverse numerical order, on any semiannual interest payment date as set forth below at the following prices (expressed as percentages of par value), plus accrued interest to date of redemption in each case:

<u>Redemption Dates</u>	<u>Redemption Price</u>
On December 1, 1985, or June 1, 1986	102-1/2%
On December 1, 1986, or June 1, 1987	102%
On December 1, 1987, or June 1, 1988	101-1/2%
On December 1, 1988, or June 1, 1989	101%
On December 1, 1989, or June 1, 1990	100-1/2%
On December 1, 1990, and thereafter	100% (Par)

which 1975 Bonds mature in various amounts on December 1 of each of the years 1991 through 1997 and bear interest at various rates from 7.50% to 7.75% per annum; and

WHEREAS, after due consideration it appears to the City Council that all of the outstanding 1975 Bonds may be refunded by providing funds for the payment of the interest on such outstanding 1975 Bonds until June 1, 1991, being six months after the first par call date, at which time all of the 1975 Bonds then outstanding will be called, paid and retired by the issuance and sale of refunding bonds so that a substantial saving will be effected by the difference between the principal and interest cost over the life of the refunding bonds and the principal and interest cost over the life of such outstanding 1975 Bonds; and

WHEREAS, in order to effect such refunding in the manner that will be most advantageous to the City and its taxpayers, it is hereby found necessary and advisable that certain "Acquired Obligations" (hereinafter identified) bearing interest and maturing at such time or times as necessary to pay the interest on the 1975 Bonds as the same shall become due up to and including June 1, 1991, and to redeem all of the 1975 Bonds as aforesaid on such date be purchased out of the proceeds of the sale of the refunding bonds herein authorized (hereinafter called the "Refunding Bonds") and other moneys of the City legally available therefor; and

WHEREAS, the City Council hereby finds and declares that all payments required to be made into the "Town of Redmond Water and Sewer Revenue Bond Fund, 1956," for the outstanding "Water and Sewer Revenue Bonds, 1962, Series A," and into the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," for the outstanding "Water and Sewer Refunding and Construction Revenue Bonds, 1967," "Water and Sewer Revenue Bonds, 1968," and the 1975 Bonds have been made into the respective bond redemption funds and that no parity certificate as provided in subsection (e) of Section 13 of Ordinance No. 420 is required since the refunding will result in a monetary saving to the City and the proposed Refunding Bonds will not require a greater average annual amount to be paid after the issuance of such Refunding Bonds than would have been required to be paid on the 1975 Bonds to be refunded, and provision is hereinafter made for the continuation of the accumulation for the Refunding Bonds heretofore required for the 1975 Bonds to be refunded of the necessary reserve; and

WHEREAS, Seattle-Northwest Securities Corporation of Seattle, Washington, heretofore offered to purchase the \$920,000.00 par value of Refunding Bonds on the terms and conditions hereinafter set forth, which offer was duly accepted by the City on May 25, 1976;
NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, DO
ORDAIN, as follows:

SECTION 1 - Definitions. As used in this Ordinance, the following words shall have the following meanings:

(a) "Refunding Bonds" shall mean the "Water and Sewer Revenue Refunding Bonds, 1976," authorized to be issued by this ordinance.

(b) "Bond Fund" shall mean the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," created by Ordinance No. 373, and redesignated in Ordinance No. 420, in the office of the City Treasurer and so designated by Ordinance No. 471.

(c) "City" shall mean the City of Redmond, Washington, a non-charter optional code city.

(d) "U.L.I.D. assessments" shall mean the assessments levied in such utility local improvement districts of the City as have heretofore or may hereafter be created under state law authorizing the creation of the same and shall include installments thereof and interest and any penalties thereon.

(e) "Revenue of the waterworks utility of the City" shall mean all the earnings and revenue received by the waterworks utility of the City from any source whatsoever, except general ad valorem taxes, U.L.I.D. assessments, proceeds from the sale of City property, and bond proceeds.

(f) "Operating and maintenance expenses" shall mean all reasonable expenses incurred by the City in causing the waterworks utility of the City to be operated and maintained in good repair, working order and condition.

(g) "Parity Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1962, Series A," "Water and Sewer Refunding and Construction Revenue Bonds, 1967," "Water and Sewer Revenue Bonds, 1968," and any and all water and sewer revenue bonds of the City issued after the date of the issuance of the Refunding Bonds, the payment of the principal of and interest on which constitutes a

lien and charge upon revenue of the waterworks utility of the City and upon all U.L.I.D. assessments hereafter required to be paid into the Bond Fund equal in rank with the lien and charge upon such revenue required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Refunding Bonds.

(h) "Junior Lien Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1970," of the City authorized to be issued pursuant to Ordinance No. 535 and the outstanding "Water and Sewer Revenue Bonds, 1972," of the City authorized to be issued by Ordinance No. 590 and any additional water and sewer revenue bonds hereafter issued on a parity therewith pursuant to the provisions of Section 10 of Ordinance No. 590.

(i) "Term Bond Maturity Year" shall mean any last calendar year in which the bonds of any one issue or series now or hereafter scheduled to mature (regardless of any reservation of prior redemption rights) is more than 1.25 times the average annual principal maturity on the bonds of such issue or series for the three maturity years immediately preceding such Term Bond Maturity Year.

(j) "Term Bonds" shall mean those outstanding bonds of any single issue or series scheduled to mature in any Term Bond Maturity Year.

(k) "Waterworks utility" shall mean the waterworks utility of the City, including the system of sewerage as a part thereof, together with all additions thereto and betterments and extensions thereof at any time made or constructed.

SECTION 2 - Provision for Issuance of Refunding Bonds.

For the purpose of providing a part of the moneys required to pay the interest on the 1975 Bonds coming due to and including June 1, 1991, and to redeem and retire on June 1, 1991, all of the outstanding 1975 Bonds, the City shall issue the Refunding Bonds in the aggregate principal amount of \$920,000.00.

The Refunding Bonds shall be designated "Water and Sewer Revenue Refunding Bonds, 1976" (herein defined as the "Refunding

Bonds"); shall be dated June 1, 1976; shall be in denominations of \$5,000.00 each; shall bear interest at the rate of 7% per annum, payable on December 1, 1976, and semiannually thereafter on June 1 and December 1 of each year, interest to maturity being evidenced by coupons to be attached to the Refunding Bonds with full obligation on the part of the City to pay interest at the bond rate from and after the bond maturity dates until the Refunding Bonds with interest are paid in full or funds sufficient to pay such Refunding Bonds with interest in full are on deposit in the Bond Fund hereinafter referred to. Both principal of and interest on the Refunding Bonds shall be payable in lawful money of the United States of America at the office of the City Treasurer of the City. The Refunding Bonds shall be payable solely out of the Bond Fund. The Refunding Bonds shall be a valid claim of the holder thereof only as against the Bond Fund and the fixed amount of the revenue of the waterworks utility of the City pledged to such fund and shall not be a general obligation of the City. The Refunding Bonds shall be numbered and shall mature in accordance with the following schedule:

<u>Bond Numbers (Inclusive)</u>	<u>Amounts</u>	<u>Maturities</u>
1	\$ 5,000	December 1, 1977
2	5,000	December 1, 1978
3	5,000	December 1, 1979
4	5,000	December 1, 1980
5	5,000	December 1, 1981
6	5,000	December 1, 1982
7	5,000	December 1, 1983
8	5,000	December 1, 1984
9	5,000	December 1, 1985
10	5,000	December 1, 1986
11	5,000	December 1, 1987
12	5,000	December 1, 1988
13	5,000	December 1, 1989
14	5,000	December 1, 1990
15 to 36	110,000	December 1, 1991
37 to 59	115,000	December 1, 1992
60 to 83	120,000	December 1, 1993
84 to 109	130,000	December 1, 1994
110 to 137	140,000	December 1, 1995
138 to 166	145,000	December 1, 1996
167 to 184	90,000	December 1, 1997

SECTION 3 - Option for Prior Redemption. The City reserves the right to redeem any or all of the Refunding Bonds outstanding in whole, or in part in inverse numerical order, on any semiannual

interest payment date as set forth below at the following prices (expressed as percentages of par value) plus accrued interest to date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
On June 1, 1986	102-1/2%
On December 1, 1986, and June 1, 1987	102%
On December 1, 1987, and June 1, 1988	101-1/2%
On December 1, 1988, and June 1, 1989	101%
On December 1, 1989, and June 1, 1990	100-1/2%
On December 1, 1990, and thereafter	100%

Notice of any call for redemption of the Refunding Bonds prior to their stated maturity dates shall be published once in the official newspaper of the City not less than 30 nor more than 45 days prior to the date of redemption. Notice of such call for redemption shall also be mailed to Seattle-Northwest Securities Corporation at its principal office in Seattle, Washington, or its successor, within the same period. In addition, such redemption notice shall also be sent to Moody's Investors Service, Inc., and Standard & Poor's Corporation, at their offices in New York, New York, but the mailing of such notice to such corporations shall not be a condition precedent to the redemption of such Refunding Bonds. Interest on any Refunding Bonds so called for redemption shall cease on such interest coupon due date upon payment of the call price into the Bond Fund.

SECTION 4 - Refunding Operation. The Bond Fund was heretofore created and established in the office of the City Treasurer. The Bond Fund has been divided into two accounts, namely, a "Principal and Interest Account" and a "Reserve Account." The Bond Fund is to be drawn upon for the sole purpose of paying the principal of and interest on the Refunding Bonds and Parity Bonds as the same shall become due. There is hereby created and established in the Bond Fund an additional account to be known and designated as the "1976 Refunding Account." Immediately upon receipt of payment in full for the Refunding Bonds, the accrued interest received, if any, shall be deposited in the Principal and Interest Account in the Bond Fund. The principal proceeds received

shall be deposited in the 1976 Refunding Account in the Bond Fund and an amount equal to the accrued interest on the 1975 Bonds from the last interest payment date of such 1975 Bonds to the date of delivery of the Refunding Bonds to the purchaser thereof shall be transferred from the Principal and Interest Account in the Bond Fund to the 1976 Refunding Account in the Bond Fund. The moneys in the 1976 Refunding Account shall be used immediately upon the receipt thereof to discharge the obligations of the City under Ordinance No. 703 passed and approved December 16, 1975, authorizing the issuance of the 1975 Bonds by providing for the payment as hereinafter set forth in this section of the principal of and interest on the 1975 Bonds. To the extent practicable the City shall discharge such obligations by the purchase of Federal Land Bank Bonds and interest coupons therefrom ("Acquired Obligations") bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide for the payment of the interest on the 1975 Bonds which will become due and payable on or before June 1, 1991, and the redemption price payable on June 1, 1991, for the principal of all then outstanding 1975 Bonds. Such Acquired Obligations and the prices to be paid for the same are more particularly described in the proposal of Seattle-Northwest Securities Corporation hereinafter referred to.

Such Acquired Obligations shall be irrevocably deposited with Peoples National Bank of Washington, Seattle, Washington (hereinafter called the "Refunding Trustee"). Any amounts described in this section which are not provided for in full by the purchase and deposit of the Acquired Obligations described in this section shall be provided for by the irrevocable deposit of a portion of the proceeds of sale of the Refunding Bonds or other moneys of the City with the aforesaid Refunding Trustee.

All the moneys received as principal of or interest on such Acquired Obligations shall be held by the Refunding Trustee for the credit of the City for the 1976 Refunding Account in the

Bond Fund, and shall be held in trust and shall be used for the sole purpose of paying the interest becoming due on the 1975 Bonds up to and including June 1, 1991, and to pay and retire all then outstanding 1975 Bonds on June 1, 1991, as aforesaid.

Any moneys remaining in the 1976 Refunding Account in the Bond Fund after the payment and retirement in full of the outstanding 1975 Bonds as aforesaid shall be transferred and paid into the Principal and Interest Account in the Bond Fund. All of such Acquired Obligations purchased as a part of the refunding plan are irrevocably dedicated to the purpose set forth in this ordinance, and such investments or the earnings or the proceeds therefrom may be used for no other purpose, nor may any of such investments be liquidated prior to maturity.

SECTION 5 - Call for Redemption of 1975 Bonds. The City hereby irrevocably calls for redemption on June 1, 1991, all of the outstanding 1975 Bonds at the par value thereof plus accrued interest to such date of redemption. Such call for redemption shall be irrevocable after the delivery of the Refunding Bonds to the initial purchaser thereof.

The Treasurer of the City is hereby authorized and directed to give notice of the redemption of the 1975 Bonds in accordance with the provisions of Ordinance No. 703 pertaining to the 1975 Bonds.

SECTION 6 - Refunding Trustee's Duties and Agreement. The Refunding Trustee is hereby authorized and directed to pay the interest on the 1975 Bonds when due and the principal thereof on June 1, 1991, from the Acquired Obligations and moneys deposited with the Refunding Trustee pursuant to Section 4 of this ordinance. All Acquired Obligations and the moneys deposited with the Refunding Trustee and any income therefrom shall be held and applied in accordance with the provisions of Ordinance No. 703 pertaining to the 1975 Bonds and this ordinance and with the statutes of the State of Washington.

All necessary and proper fees, compensation and expenses of the Refunding Trustee for the Refunding Bonds and all other costs incidental to the refunding of the 1975 Bonds, including but not limited to reasonable charges of bond counsel, rating services and bond printing, shall be paid when due by the initial purchaser of the Refunding Bonds. The proper officers and agents of the City are directed to obtain from the Refunding Trustee an agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the redemption and retirement of the 1975 Bonds as provided herein and stating that such provisions and the payment of the fees, compensation and expenses of such Refunding Trustee are satisfactory to it.

In order to carry out the purposes of this ordinance, the Mayor and City Clerk of the City are authorized and directed to execute and deliver to Peoples National Bank of Washington, Seattle, Washington, an agreement substantially in the form attached hereto marked "Exhibit A" and by this reference thereto made a part of this ordinance.

SECTION 7 - Deposits to Bond Fund and Lien Position of Refunding Bonds. So long as Refunding Bonds are outstanding against the Bond Fund, the Treasurer of the City shall set aside and pay into the Principal and Interest Account in such fund out of the revenue of the waterworks utility of the City, in addition to the amounts to be paid therein for the outstanding Parity Bonds, a fixed amount, without regard to any fixed proportion, namely, on or before December 1, 1976, an amount, together with the accrued interest received from the purchaser of the Refunding Bonds, equal to the interest payable on the Refunding Bonds on December 1, 1976, and monthly thereafter on or before the twentieth day of each month beginning with the month of December, 1976, an amount equal to 1/6th of the next ensuing six months' requirements for interest and 1/12th of the next ensuing twelve months' requirements for principal on the

Refunding Bonds and continuing thereafter until the Refunding Bonds, both principal and interest, are paid in full.

The City hereby renews its covenant in Ordinance No. 703 for the 1975 Bonds and makes the same applicable as a reserve for the Refunding Bonds whereunder it covenanted and agreed that it will pay out of the waterworks utility of the City into the Reserve Account in the Bond Fund, in substantially equal monthly payments, such amount which, together with the payments required to be made therein by Ordinances Nos. 420 and 471, will, by no later than December 1, 1980, provide a total amount in the Reserve Account in the Bond Fund of not less than \$229,228.00.

The Reserve Account may be accumulated from any other moneys which the City may have available for such purpose, in addition to using the revenue of the waterworks utility of the City therefor, including any U.L.I.D. assessments pledged to be paid into the Bond Fund. The Reserve Account shall, except for withdrawals therefrom as authorized herein, after the total reserve amount has been accumulated therein be maintained in such amount at all times so long as any of the Refunding Bonds and Parity Bonds payable from the Bond Fund is outstanding, except that when the total amount in the Bond Fund shall equal the total amount of the principal and interest on all outstanding Refunding Bonds and such Parity Bonds to the last maturity thereof no further payments need be made into the Bond Fund, and such amounts in the Reserve Account may then be used to make those remaining principal and interest payments.

In the event that there shall be a deficiency in the Principal and Interest Account in the Bond Fund to meet maturing installments of either principal or interest as the case may be, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from the revenue of the waterworks utility of the City and any U.L.I.D. assessments pledged to be paid into the Bond

Fund first available after making necessary provisions for the required payment into the Principal and Interest Account. The moneys in the Reserve Account shall otherwise be held intact, and may be applied against the last outstanding Refunding Bonds and Parity Bonds payable from the Bond Fund.

All moneys in the Reserve Account above provided for may be kept on deposit in the official bank depository of the City or in any national bank or may be invested in United States Government obligations maturing not later than twelve years from date of issue and in no event later than March 1, 1998. Interest on any such investment or on such bank account shall be deposited in and become a part of the Reserve Account until the total reserve amount shall have been accumulated therein.

The revenue of the waterworks utility of the City is hereby pledged to such payments, and the Refunding Bonds shall constitute a charge and lien upon such revenue prior and superior to all other charges and liens whatsoever including the charge and lien thereon for the Junior Lien Bonds, excluding charges for maintenance and operation of such utility, except that the charge and lien upon such revenue for the Refunding Bonds shall be on a parity with the charge and lien upon the same for any outstanding Parity Bonds.

SECTION 8 - Bond Fund Considerations. The City Council and corporate authorities of the City hereby declare that in fixing the amounts to be paid into the Bond Fund as aforesaid that they have considered and had due regard for the cost of operation and maintenance of the waterworks utility of the City and have not set aside into the Bond Fund a greater amount or proportion of the revenue of the waterworks utility of the City than in their judgment will be available over and above the cost of maintenance and operation of the waterworks utility of the City and the debt service requirements for the presently outstanding Parity Bonds and Junior Lien Bonds.

SECTION 9 - Refunding Bond Form. The Refunding Bonds shall be in substantially the following form:

No. _____

\$5,000.00

UNITED STATES OF AMERICA

STATE OF WASHINGTON

CITY OF REDMOND

WATER AND SEWER REVENUE REFUNDING BOND, 1976

7%

KNOW ALL MEN BY THESE PRESENTS: That the City of Redmond, Washington (hereinafter called the "City"), for value received hereby promises to pay to bearer on the FIRST DAY OF DECEMBER, 19__, the principal sum of

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of 7% per annum from the date hereof until the principal sum is paid in full, or until this bond, if callable, shall have been duly called for redemption and the redemption price, including interest to such call date, has been deposited in the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967" (hereinafter called the "Bond Fund"), of the City. Interest is payable on December 1, 1976, and semiannually thereafter on June 1 and December 1 of each year. Interest falling due on and prior to maturity is evidenced by and payable upon the surrender of the attached interest coupons as they severally become due with full obligation on the part of the City to pay interest at the same rate from and after the bond maturity date until this bond with interest is paid in full or moneys are available in the Bond Fund for payment in full.

Both principal of and interest on this bond are payable in lawful money of the United States of America at the office of the City Treasurer of the City solely out of the Bond Fund, into which fund the City hereby irrevocably binds itself to pay certain fixed amounts out of the gross revenues of the waterworks utility of the City, including the sewerage system as a part thereof, now belonging or which may hereafter belong to the City, including all additions, replacements, extensions and betterments now or at any time hereafter made or constructed; without regard to any fixed proportion, namely, amounts sufficient to pay the principal of and interest on the bonds of this issue and on the outstanding "Water and Sewer Refunding and Construction Revenue Bonds, 1967," and "Water and Sewer Revenue Bonds, 1968," as they respectively become due and to create a reserve, all at the times and in the manner set forth in Ordinances Nos. 420, 471 and 723. The bonds of this issue are not a general obligation of the City.

This bond is one of a total issue of \$920,000.00 par value of bonds, all of like date, tenor and effect, except for maturities and option of redemption, all payable from the Bond Fund and all issued by the City under and pursuant to the laws of the State of Washington, particularly Chapter 138, Laws of 1965, 1st Ex. Ses., as amended, known as the "Refunding Bond Act" (RCW Chapter 39.53), for the purpose of providing the funds to refund, pay and retire all of its outstanding "Water Revenue Bonds, 1975," dated December 1, 1975, all as provided in Ordinance No. 723, and is issued in full compliance with the ordinances of the City and the Constitution and laws of the State of Washington. Reference is made to Ordinance No. 723 as more fully describing the covenants with and rights of holders of bonds of this issue.

The City reserves the right to redeem any or all of the bonds outstanding in whole, or in part in inverse numerical order, on any semiannual interest payment date as set forth below at the following prices (expressed as percentages of par value) plus accrued interest to date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
On June 1, 1986	102-1/2%
On December 1, 1986, and June 1, 1987	102%
On December 1, 1987, and June 1, 1988	101-1/2%
On December 1, 1988, and June 1, 1989	101%
On December 1, 1989, and June 1, 1990	100-1/2%
On December 1, 1990, and thereafter	100%

Notice of any call for redemption of the bonds prior to their stated maturity dates shall be published once in the official newspaper of the City not less than 30 nor more than 45 days prior to the date of redemption. Notice of such call for redemption shall also be mailed to Seattle-Northwest Securities Corporation at its principal office in Seattle, Washington, or its successor, within the same period. In addition, such redemption notice shall also be sent to Moody's Investors Service, Inc., and Standard & Poor's Corporation, at their offices in New York, New York, but the mailing of such notice to such corporations shall not be a condition precedent to the redemption of such bonds. Interest on any bonds so called for redemption shall cease on such interest coupon due date upon payment of the call price into the Bond Fund.

The gross revenues from the waterworks utility of the City, including the sewerage system as a part thereof, together with all additions thereto and betterments and extensions thereof at any time made, are hereby pledged for the payment of the bonds of this issue at any time outstanding, both principal and interest, and such payment and pledge shall constitute a charge and lien upon such gross revenues prior and superior to all other charges and liens whatsoever including the charge and lien thereon for Junior Lien Bonds as defined in Ordinance No. 723, excluding charges for maintenance and operation of such utility, except that the charge and lien upon such gross revenues for the bonds of this issue shall be on

a parity with the charge and lien upon the same for the outstanding "Water and Sewer Revenue Bonds, 1962, Series A," dated October 1, 1962, the outstanding "Water and Sewer Refunding and Construction Revenue Bonds, 1967," dated March 1, 1967, the outstanding "Water and Sewer Revenue Bonds, 1968," dated July 1, 1968, and any additional revenue bonds hereafter issued on a parity therewith in accordance with the provisions of Section 11 of Ordinance No. 206, Section 13 of Ordinance No. 420, Section 13 of Ordinance No. 471 and Section 13 of Ordinance No. 723.

The City hereby covenants and agrees with the holder of this bond that it will keep and perform all of the covenants of this bond and of Ordinance No. 723 to be by it kept and performed and it further covenants and agrees to maintain in good condition and to operate such waterworks utility of the City, including the sewerage system as a part thereof, and to establish, maintain and collect such rates and charges in connection therewith, as will produce the gross revenues necessary to meet the obligations of the City as herein set forth and as set forth in Ordinance No. 723.

It is hereby certified and declared that the bonds are issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and the ordinances of the City relating thereto and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and been performed as required by law.

IN WITNESS WHEREOF, the City has caused this bond to be signed by the manual signature of its Mayor and attested by the facsimile signature of its City Clerk and its corporate seal to be hereto affixed and the interest coupons attached to be signed with the facsimile signatures of those officials this first day of June, 1976.

CITY OF REDMOND, WASHINGTON

By _____
Mayor

ATTEST:

(facsimile signature)
City Clerk

The form of the interest coupon shall be substantially as follows:

Coupon No. _____
\$ _____

On the FIRST DAY OF (JUNE) (DECEMBER), 19__, the CITY OF REDMOND, WASHINGTON, upon presentation and surrender of this coupon will pay to bearer at the office of the City Treasurer the amount shown hereon

in lawful money of the United States of America from the special fund of the City, known as the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," that sum being six months' interest then due on its "Water and Sewer Revenue Refunding Bond, 1976," dated June 1, 1976, and numbered ____.

CITY OF REDMOND, WASHINGTON

By (facsimile signature)
Mayor

ATTEST:

(facsimile signature)
City Clerk

SECTION 10 - Execution of Refunding Bonds. The Refunding Bonds shall be printed on lithographed forms, shall be signed by the manual signature of the Mayor and attested by the facsimile signature of the City Clerk, and shall have the seal of the City affixed thereto, and the interest coupons shall bear the facsimile signatures of the Mayor and the City Clerk.

SECTION 11 - Defeasance Clause. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington to pay the principal of and interest on the Refunding Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Refunding Bonds and to pay the cost of refunding, and shall have irrevocably set aside for and pledged to such payment and refunding, moneys and/or direct obligations of the United States of America or other legal investments sufficient in amount, together with known earned income from the investment thereof, to make such payments and to accomplish the refunding as scheduled, and shall irrevocably make provisions for redemption of such Refunding Bonds, then in that case all right and interest of the owners or holders of the Refunding Bonds to be so retired or refunded and the appurtenant coupons in the covenants of this ordinance and in the revenue of the waterworks utility of the City, funds and accounts obligated to the payment of such Refunding Bonds, except the right to receive the funds so set aside and pledged, shall thereupon cease and become void and

the City may then apply any moneys in any fund or account established for the payment or redemption of such Refunding Bonds or coupons to any lawful purposes as it shall determine.

In the event that the refunding plan provides that the refunding bonds to be issued or the Refunding Bonds to be refunded be secured by cash and/or direct obligations of the United States of America or other legal investments pending the prior redemption of those Refunding Bonds being refunded, and if such refunding plan also provides that certain cash and/or direct obligations of the United States of America or other legal investments are irrevocably pledged for the prior redemption of those Refunding Bonds included in the refunding plan, then only the debt service on the Refunding Bonds and the refunding bonds payable from the revenue of the waterworks utility of the City shall be included in the computation of coverage for determining compliance with the rate covenants.

SECTION 12 - Covenants. The City hereby covenants and agrees with the owner and holder of each Refunding Bond at any time outstanding as follows:

(a) That it will not sell, lease, mortgage, or in any manner encumber or dispose of all the properties of the waterworks utility of the City, unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all Refunding Bonds and all Parity Bonds at that time outstanding, and that it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the waterworks utility of the City that is used, useful and material to the operation thereof, unless provision is made for the replacement thereof, or for payment into the Bond Fund of an amount which shall bear the same ratio to the amount of outstanding Refunding Bonds and Parity Bonds as the revenue available for debt service for such outstanding Refunding Bonds and Parity Bonds for the twelve months preceding such sale, lease, encumbrance or disposal from the portion of the utility sold, leased, encumbered or disposed of bears to the revenue available for debt service for such Refunding Bonds from the entire utility for the same period. Any such moneys so paid into the Bond Fund shall be used to retire such outstanding Refunding Bonds and Parity Bonds at the earliest possible date.

(b) That at such time as the "Water and Sewer Revenue Bonds, 1962, Series A," have been retired or provision made for the retirement thereof, Section 5 (b) of Ordinance No. 294 shall no longer apply and the following provisions shall become effective: The City will establish, maintain and collect rates and charges for sanitary sewage disposal service furnished by the waterworks utility of the City, which together with other revenue of the waterworks utility of the City and collection of U.L.I.D. assessments in any utility local improvement district hereafter created to secure the payment of any Parity Bonds hereafter issued or the assessments in which shall be pledged to be paid into the Bond Fund, will provide amounts equal to at least 1.30 times the average annual amount, excluding from the computation of such average any Term Bond Maturity Year, required to be paid into the Bond Fund to pay the principal of and interest on the Refunding Bonds and any Parity Bonds then outstanding, after operating and maintenance expenses have been paid, but before depreciation. Such average annual debt service shall be computed each year.

(c) That it will at all times maintain and keep the waterworks utility of the City 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.

(d) That it will pay all costs of maintenance and operation of the waterworks utility of the City and the debt service requirements of the outstanding Refunding Bonds and Parity Bonds and otherwise meet the obligations of the City as herein set forth.

(e) That it will, while any of the Refunding Bonds remains outstanding, keep proper and separate accounts and records in which complete and correct entries shall be made of all transactions relating to the waterworks utility of the City, and it will furnish the original purchaser or purchasers of the Refunding Bonds or any subsequent holder or holders thereof, at the written request of such holder or holders, complete operating and income statements of the waterworks utility of the City in reasonable detail covering any calendar year, showing the financial condition of the water and sewer departments and compliance with the terms and conditions of this Ordinance, not more than 120 days after the close of such calendar year, and it will grant any holder or holders of at least twenty-five percent of the outstanding Refunding Bonds the right at all reasonable times to inspect the entire waterworks utility of the City and all records, accounts and data of the City relating thereto. Upon request of any holder of any of the Refunding Bonds, it will also furnish to such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington or independent certified public accountant.

(f) That it will not furnish water or sanitary sewage disposal service to any customer whatsoever free of charge and will promptly take legal action to enforce collection of all delinquent accounts.

(g) That it will carry the types of insurance on its properties of the waterworks utility of the City in the amounts normally carried by private water and sewer companies engaged in the operation of water and sewerage systems, and the cost of such insurance shall be considered a part of operating and maintaining said utility. If, as, and when, the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain such insurance on all or such portions of said system on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof.

(h) That it will make no use of the proceeds of the Refunding Bonds or other funds of the City at any time during the term of the Refunding Bonds which, if such use had been reasonably expected at the date that the Refunding Bonds are issued, would have caused such Refunding Bonds to be arbitrage bonds within the meaning of Section 103(d) of the United States Internal Revenue Code of 1954, and for this purpose it further covenants that none of the proceeds of the Refunding Bonds or the investment of such proceeds will be used to acquire obligations the adjusted yield on which will exceed the adjusted yield produced by the Refunding Bonds, both such adjusted yields being computed pursuant to and subject to the requirements and exceptions of Sections 1.103-13 and 1.103-14 of the regulations of the United States Treasury Department published in the Federal Register on May 3, 1973, and December 3, 1975.

SECTION 13 - Provision for Additional Parity Bonds. The City hereby further covenants and agrees with the owner and holder of each of the Refunding Bonds for as long as any of the same is outstanding that it will not create any special fund or funds for the payment of the principal of and interest on any other revenue bonds which will rank on a parity with the Refunding Bonds, except that it reserves the right (1) to issue additional revenue bonds for the purpose of acquiring, constructing and installing additions and betterments to the waterworks utility of the City, or (2) to issue refunding revenue bonds for the purpose of refunding or purchasing and retiring at or prior to their maturity any outstanding revenue bonds of the City, (such additional and/or refunding bonds being herein included in the definition of "Parity Bonds") and to make payments into the Bond Fund out of the revenue of the waterworks

utility of the City, which together with U.L.I.D. assessments collected and paid into the Bond Fund, will be sufficient to pay the principal of and interest on such Parity Bonds and to maintain the reserves required therefor, which such payments may rank equally with the payments required by this Ordinance to be made into the Bond Fund and the Reserve Account created therein for the payment of the principal of and interest on the Refunding Bonds and presently outstanding Parity Bonds upon compliance with the conditions set forth in Section 11 of Ordinance No. 206 and Section 13 of Ordinance No. 420 which Sections by this reference are incorporated herein and made a part hereof.

Nothing contained in this Ordinance shall prevent the City from issuing revenue bonds which are a charge upon the revenue of the waterworks utility of the City junior or inferior to the payments required to be made therefrom into the Bond Fund and the Reserve Account therein, or from pledging the payment of U.L.I.D. assessments into the bond redemption fund created for the payment of the principal of and interest on such junior lien bonds as long as such U.L.I.D. assessments are levied for improvements constructed from the proceeds of such junior lien bonds. Nor shall anything contained in this Ordinance prevent the City from issuing revenue bonds to refund maturing revenue bonds of the City for the payment of which moneys are not otherwise available.

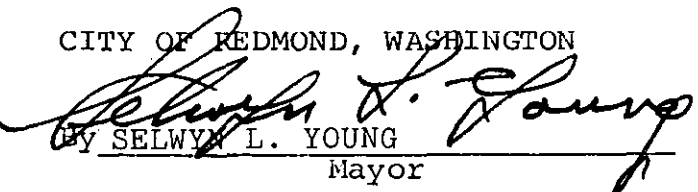
SECTION 14 - Sale and Delivery of Refunding Bonds. Seattle-Northwest Securities Corporation of Seattle, Washington, heretofore offered to purchase the Refunding Bonds at the par value thereof, plus accrued interest from the date of issuance to the date of delivery of the Refunding Bonds, the City to furnish the printed Refunding Bonds, together with the approving legal opinion of Messrs. Roberts, Shefelman, Lawrence, Gay & Moch, municipal bond counsel of Seattle, Washington, and the purchaser to pay the cost of printing such Refunding Bonds and the cost of such legal opinion and the purchaser to provide the Acquired Obligations above referred to as

as set forth in such offer. Bond counsel shall not be required to review or express any opinion concerning any official statement, offering circular or other sales material issued or used in connection with the Refunding Bonds, and bond counsel's opinion shall so state. The City Council, deeming that it was in the best interests of the City to accept that offer, duly accepted the same on May 25, 1976, and such acceptance is now ratified and confirmed. The Refunding Bonds shall, therefore, immediately upon their execution be delivered to Seattle-Northwest Securities Corporation upon payment therefor in accordance with that offer.


SECTION 15 - Effective Date. This Ordinance shall take effect and be in force five days after the date of its publication in the manner provided by law.

PASSED by the City Council of the City of Redmond, Washington, at a special open public meeting thereof of which due notice had been given in the manner required by law, and APPROVED by the Mayor this 22nd day of June, 1976.

CITY OF REDMOND, WASHINGTON


BY SELWYN L. YOUNG
Mayor

ATTEST:


DORIS A. SCHAIBLE
Deputy City Clerk

FORM APPROVED.


JOHN D. LAWSON
City Attorney

Published in the Sammamish Valley News on 6-30-76

A G R E E M E N T

THIS AGREEMENT made and entered into as of the 1st day of ~~June~~^{July}, 1976, by and between the CITY OF REDMOND, WASHINGTON, a municipal corporation of the State of Washington (the "City"), and PEOPLES NATIONAL BANK OF WASHINGTON, Seattle, Washington (the "Refunding Trustee");

W I T N E S S E T H:

SECTION 1. Recitals. The City now has outstanding its "Water and Sewer Revenue Bonds, 1975," issued under date of December 1, 1975, in the aggregate principal amount of \$900,000.00 (hereinafter called the "1975 Bonds"). Pursuant to Ordinance No. 703 pertaining to the 1975 Bonds, the City in the manner provided therein may call the 1975 Bonds as a whole, or in part in inverse numerical order, on December 1, 1985, at a redemption price of 102-1/2% of par, plus accrued interest to the date of such redemption, or on any semiannual interest payment date thereafter with such redemption price declining 1/2 of 1% annually to par on or after December 1, 1990. The City by Ordinance No. 723, passed by the City Council and approved by the Mayor on June 22, 1976, has determined to pay the interest on the 1975 Bonds coming due to and including June 1, 1991, and to redeem and retire on June 1, 1991, all of the outstanding 1975 Bonds in accordance with the terms of said Ordinance No. 703 out of the proceeds of sale of its "Water and Sewer Revenue Refunding Bonds, 1976" (the "Refunding Bonds"), and other moneys of the City legally available therefor.

SECTION 2. Provisions for the Payment and Retirement of the 1975 Bonds. To accomplish the payment and retirement of the 1975 Bonds, including the payment of the interest on the 1975 Bonds coming due to and including June 1, 1991, and the redemption price payable on June 1, 1991, for the principal of all outstanding 1975

Bonds, the City, simultaneously with the delivery of the Refunding Bonds issued pursuant to said Ordinance No. 723, does hereby agree to irrevocably deposit with the Refunding Trustee in trust for the security and benefit of the holders and owners of the 1975 Bonds and the Refunding Bonds the sum of \$145.17 in cash from the proceeds of sale of the Refunding Bonds and Federal Land Bank Bonds and interest coupons therefrom with amounts, interest rates and maturities as more particularly set forth in Exhibit "A" attached to this Agreement and by this reference incorporated herein, which securities are hereinafter referred to as "Obligations," and such cash and Obligations, with the investment income therefrom, will be sufficient to provide for the payment of the interest on the 1975 Bonds coming due up to and including June 1, 1991, and the redemption price payable on June 1, 1991, for the principal of all outstanding 1975 Bonds.

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 to be paid on each semiannual interest payment date on the 1975 Bonds up through June 1, 1991, and the amount of principal to be paid on June 1, 1991, to retire and redeem all outstanding 1975 Bonds.

The City by said Ordinance No. 723 has irrevocably called for redemption or prepayment on June 1, 1991, the outstanding 1975 Bonds at the par value thereof plus accrued interest to such date of redemption. Such call for redemption or prepayment shall be irrevocable upon the delivery of the Refunding Bonds. The Treasurer of the City shall provide for the publication and mailing of the proper notices of such redemption or prepayment in accordance with the applicable provisions of Ordinance No. 703 pertaining to the 1975 Bonds.

Provision for the giving of such notices of redemption or prepayment has irrevocably been made by the City.

SECTION 3. Disbursements by the Refunding Trustee. The Refunding Trustee shall present for payment on the due date thereof

the Obligations so deposited and shall apply the proceeds derived therefrom in accordance with the provisions of this section.

Moneys shall be transferred by the Refunding Trustee to the Treasurer of the City in amounts sufficient to pay the interest on the 1975 Bonds coming due and payable on or before June 1, 1991, and to pay the redemption price payable on June 1, 1991, for the principal of all outstanding 1975 Bonds.

SECTION 4. Nonreinvestment of Funds; Custody and Safekeeping of Obligations. All moneys deposited with the Refunding Trustee or received by the Refunding Trustee as maturing principal or interest on Obligations prior to the time required to make the payments hereinbefore set forth shall be held by the Refunding Trustee and shall not be reinvested.

All income derived from the Obligations and any moneys deposited with the Refunding Trustee pursuant to Section 2 hereof in the hands of the Refunding Trustee (which moneys are not required to make the payments hereinbefore required to be made) shall be paid to the Treasurer of the City for the credit of the "1976 Refunding Account" in the "Water and Sewer Refunding and Construction Revenue Bond Fund, 1967," of the City (hereinafter called the "Refunding Account") as and when realized and collected for use and application as other moneys deposited in said Refunding Account.

For as long as any of the 1975 Bonds are outstanding, on or before the 10th day of each month, commencing with the month of August, 1976, the Refunding Trustee shall render a statement as of the last day of the preceding month to the Treasurer of the City, which statement shall set forth the Obligations which have matured and the amounts received by the Refunding Trustee by reason of such maturity, the amounts paid to such Treasurer for credit to the Refunding Account and the dates of such delivery for the payment of the interest on the 1975 Bonds as the same shall become due and/or payable up through June 1, 1991, and principal on June 1, 1991, to redeem and retire all outstanding 1975 Bonds, and any other

transactions of the Refunding Trustee pertaining to its duties and obligations as set forth herein.

All Obligations, moneys 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.

Reference herein to payments made to the Treasurer of the City shall also be deemed to include payments made to the fiscal agency of the State of Washington on behalf of such Treasurer.

SECTION 5. 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 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.

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

CITY OF REDMOND, WASHINGTON

By *Stephen L. Young*
Mayor

ATTEST:

Doris A. Schauble
DORIS A. SCHAUBLE
Deputy City Clerk

APPROVED AS TO FORM:

John D. Lawson
JOHN D. LAWSON
CITY ATTORNEY

PEOPLES NATIONAL BANK OF WASHINGTON

By *D. H. H. H. H.*
Trust Officer