

ORIGINAL

CITY OF REDMOND, WASHINGTON

ORDINANCE NO. 787

AN ORDINANCE providing for the issuance of \$2,835,000.00 par value of "Water and Sewer Revenue Refunding Bonds, 1977," for the purpose of obtaining a part of the funds with which to refund, pay and retire 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," "Water and Sewer Revenue Bonds, 1970," "Water and Sewer Revenue Bonds, 1972," and "Water and Sewer Revenue Refunding Bonds, 1976," of the City; fixing the date, form, denomination, maturities, interest rates, terms and covenants of such refunding bonds; creating a special fund to provide for the refunding operation; creating a special bond redemption fund to provide for the payment of the refunding bonds and any future parity bonds; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of such refunding bonds and other money of the City and for the use and application of the money to be derived from such investment; providing for the payment and redemption of the outstanding bonds to be refunded; authorizing the execution of an agreement with Peoples National Bank of Washington as Refunding Trustee; 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, pursuant to Ordinance No. 294 passed and approved September 27, 1962, the City heretofore issued and sold \$625,000.00 par value of its "Water and Sewer Revenue Bonds, 1962, Series A" dated October 1, 1962, for the purpose of paying 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 as authorized by Ordinance No. 260 passed and approved July 12, 1961, and a portion of the system or plan of additions to and betterments and extensions of the Waterworks Utility of the City as authorized by

Ordinance No. 289 passed and approved July 12, 1962, as amended by Ordinance No. 293 passed and approved September 11, 1962, such bonds being hereinafter referred to as the "1962 Bonds"; and

WHEREAS, the City thereafter issued (1) under date of March 1, 1967, \$500,000.00 par value of "Water and Sewer Refunding and Construction Revenue Bonds, 1967" (hereinafter referred to as the "1967 Bonds") pursuant to Ordinance No. 420 passed and approved February 14, 1967, 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 specified and adopted by Ordinance No. 420, (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 specified and adopted in Ordinance No. 373, and (c) to pay, retire and refund all outstanding "Water and Sewer Revenue Bonds, 1957" and "Water and Sewer Revenue Bonds, 1960" of the City theretofore issued, and (2) under date of July 1, 1968, \$1,000,000 par value of "Water and Sewer Revenue Bonds, 1968" (hereinafter referred to as the "1968 Bonds") pursuant to Ordinance No. 471 passed and approved July 9, 1968, for the purpose of providing funds to pay the cost and expense of carrying out portions of the systems or plans of additions to and betterments and extensions of the Waterworks Utility of the City adopted by Ordinances Nos. 305, 393 as amended by Ordinance No. 410, and Ordinances Nos. 410 and 420 and the system or plan of additions to and betterments and extensions of the Waterworks Utility of the City adopted by Ordinance No. 471, and (3) under date of June 1, 1976, \$920,000 par value of "Water and Sewer Revenue Refunding Bonds, 1976" (hereinafter referred to as the "1976 Bonds") pursuant to Ordinance No. 723 passed and approved June 22, 1967, 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 theretofore issued, which 1967 Bonds, 1968 Bonds and 1976 Bonds were issued on a parity of lien with the 1962 Bonds and with each other pursuant to the provisions of Section 11 of Ordinance No. 206 of the City and Section 13 of Ordinance No. 420 of the City; and

WHEREAS, the City also heretofore issued (1) under date of August 1, 1970, \$122,000.00 par value of "Water and Sewer Revenue Bonds, 1970" (hereinafter referred to as the "1970 Bonds") pursuant to Ordinance No. 535 passed and approved September 15, 1970, for the purpose of obtaining funds (a) to pay 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 specified and adopted in Ordinance No. 474, and (b) to pay 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 specified and adopted in Ordinance No. 498, for the payment of which all ULID assessments paid in Utility Local Improvement Districts Nos. 68-W-12 and 69-SS-15 were pledged, and (2) under date of September 1, 1972, \$560,417.83 par value of "Water and Sewer Revenue Bonds, 1972" (hereinafter referred to as the "1972 Bonds") pursuant to Ordinance No. 590 passed and approved August 1, 1972, for the purpose of obtaining funds to pay 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 specified and adopted by Ordinance No. 520, and for the payment of which all ULID assessments paid in Utility Local Improvement District No. 70-SS-16 were pledged, which 1970 Bonds and 1972 Bonds constitute a prior charge and lien upon such ULID assessments and a charge and lien upon the Revenue

of the Waterworks Utility of the City junior and subordinate to the prior charge and lien upon such Revenue for the outstanding 1962 Bonds, 1967 Bonds, 1968 Bonds and 1976 Bonds; and

WHEREAS, there are presently outstanding \$537,000.00 par value of 1962 Bonds which mature serially on December 1 in each of the years 1977 through 1997, and all bear interest at the rate of 4.25% per annum; and

WHEREAS, there are presently outstanding \$375,000.00 par value of 1967 Bonds maturing serially on March 1 in each of the years 1978 through 1998, a part of which Bonds bear interest at the rate of 3.75% per annum, and the remainder of which Bonds bear interest at the rate of 4.50% per annum; and

WHEREAS, there are presently outstanding \$925,000.00 par value of 1968 Bonds which mature serially on July 1 in each of the years 1978 through 1990, a part of which Bonds bear interest at the rate of 5.75% per annum, and the remainder of which Bonds bear interest at the rate of 5.80% per annum; and

WHEREAS, there are presently outstanding \$25,000.00 par value of 1970 Bonds which mature serially on August 1 in each of the years 1978 through 1980, and all bear interest at the rate of 7% per annum; and

WHEREAS, there are presently outstanding \$375,000.00 par value of 1972 Bonds which mature serially on September 1 in each of the years 1978 through 1984, and all bear interest at the rate of 5.75% per annum; and

WHEREAS, there are presently outstanding \$920,000.00 par value of 1976 Bonds which mature serially on December 1 in each of the years 1977 through 1997, all of which Bonds bear interest at the rate of 7% per annum, and as provided in Ordinance No. 723 and in the 1976 Bonds the City reserved the right to redeem the

1976 Bonds as a whole, or in part in inverse numerical order, on any 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% ; and

WHEREAS, the City Council has determined that it is in the best interest of the City that all of such outstanding water and sewer revenue bonded debt of the City be consolidated into a single issue in order to modify debt service and reserve requirements and to modify covenants and other terms of the bonds to be refunded; and

WHEREAS, after due consideration it appears to the City Council that in addition to the governmental purpose for refunding the outstanding 1962 Bonds, 1967 Bonds, 1968 Bonds, 1970 Bonds, 1972 Bonds and 1976 Bonds as aforesaid, it also appears to the City Council that (a) all of the outstanding 1962 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1962 Bonds as the same become due up through December 1, 1997; (b) all of the outstanding 1967 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1967 Bonds as the same become due up through March 1, 1998; (c) all of the outstanding 1968 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1968 Bonds as the same become due up through May 1, 1998; (d) all of the outstanding 1970 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1970 Bonds as the same become due up through August 1, 1980; (e) all of the outstanding 1972 Bonds may be refunded by providing funds for the payment

of the principal of and interest on such 1972 Bonds as the same shall become due up through September 1, 1984; and (f) all of the outstanding 1976 Bonds may be refunded by the payment of the principal of and interest on such 1976 Bonds until June 1, 1991, at which time all of the 1976 Bonds, which mature on December 1 of each of the years 1991 through 1997, will be called, paid and retired, by the issuance and sale of refunding bonds so that a saving will be effected by the difference between the principal and interest costs over the life of the refunding bonds and the principal and interest costs over the life of such outstanding 1962 Bonds, 1967 Bonds, 1968 Bonds, 1970 Bonds, 1972 Bonds and 1976 Bonds; and

WHEREAS, in order to effect such refunding in the manner that will be most advantageous to the City, its water and sewer ratepayers 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 accomplish the refunding as aforesaid be purchased out of the proceeds of the sale of the refunding bonds herein authorized (hereinafter called the "Refunding 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. Definitions. As used in this ordinance the following words shall have the following meanings:

(a) The word "City" shall mean the City of Redmond, Washington, a duly organized and existing non-charter optional code city under the laws of the State of Washington.

(b) The words "Waterworks Utility of the City" shall mean the combined water supply and distribution system and sanitary

sewage disposal system of the City as the same may be added to, improved and extended for as long as any of the Refunding Bonds and any Parity Bonds are outstanding.

(c) The words "1962 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds 1962, Series A" issued pursuant to Ordinance No. 294 passed September 22, 1962.

(d) The words "1967 Bonds" shall mean the outstanding "Water and Sewer Refunding and Construction Revenue Bonds, 1967," issued pursuant to Ordinance No. 420 passed February 14, 1967.

(e) The words "1968 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1968," issued pursuant to Ordinance No. 471 passed July 9, 1968.

(f) The words "1970 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1970," issued pursuant to Ordinance No. 535 passed September 15, 1970.

(g) The words "1972 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1972," issued pursuant to Ordinance No. 590 passed August 1, 1972.

(h) The words "1976 Bonds" shall mean the outstanding "Water and Sewer Revenue Refunding Bonds, 1976," issued pursuant to Ordinance No. 723 passed June 22, 1976.

(i) The words "Outstanding Bonds" shall hereinafter sometimes collectively mean the 1962 Bonds, 1967 Bonds, 1970 Bonds, 1972 Bonds and 1976 Bonds.

(j) The words "Refunding Bonds" shall mean the \$2,835,000.00 par value of "Water and Sewer Revenue Refunding Bonds, 1977," of the City authorized by and to be issued for the purposes provided in and pursuant to this ordinance.

(k) The words "Parity Bonds" shall mean all water and sewer revenue bonds of the City issued after the date of the issuance of

the Refunding Bonds and having a charge and lien upon the Revenue of the Waterworks Utility of the City and on ULID Assessments to be paid into the Bond Fund on a parity with the charge and lien upon such Revenue and ULID Assessments for the Refunding Bonds for the payment of the principal thereof and interest thereon.

(l) The words "Bond Fund" shall mean that special fund of the City known as the "Redmond Water and Sewer Revenue Refunding Bond Fund, 1977," created by this ordinance for the payment of the principal of and interest on the Refunding Bonds and Parity Bonds.

(m) The words "Principal and Interest Account" shall mean the account of that name created in the Bond Fund by this ordinance for the payment of the principal of and interest on the Refunding Bonds and Parity Bonds.

(n) The words "Reserve Account" shall mean the account of that name created in the Bond Fund by this ordinance for the purpose of securing the payment of the principal of and interest on the Refunding Bonds and Parity Bonds.

(o) The words "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, but shall not include any depreciation or taxes or charges in lieu of taxes levied or imposed by the City.

(p) The words "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, ULID Assessments, proceeds from the sale of City property, and bond proceeds.

(q) The words "Term Bond Maturity Year" shall mean any 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 of the bonds of such issue or series for the three maturity years immediately preceding such year.

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

(s) The word "ULID" shall mean utility local improvement district.

(t) The words "ULID Assessments" shall mean the assessments levied in such utility local improvement districts of the City which may have heretofore been created and which may hereafter be created pursuant to state law and shall include installments thereof and interest and any penalties thereon.

Section 2. Provision for Issuance of Refunding Bonds. For the purpose of providing a part of the money required to pay (a) the principal of and interest on the 1962 Bonds as the same shall become due up to and including December 1, 1997; (b) the principal of and interest on the 1967 Bonds as the same shall become due up to and including March 1, 1998; (c) the principal of and interest on the 1968 Bonds as the same shall become due up to and including July 1, 1990; (d) the principal of and interest on the 1970 Bonds as the same shall become due up to and including August 1, 1980; (e) the principal of and interest on the 1972 Bonds as the same shall become due up to and including September 1, 1984; and (f) the principal of and interest on the 1976 Bonds as the same shall become due up to and including June 1, 1991, and to redeem and retire on June 1, 1991, all outstanding 1976 Bonds maturing on December 1 in each of the years 1991 through 1997, the City shall issue the Refunding Bonds in the aggregate principal amount of \$2,835,000.00.

The Refunding Bonds shall be designated "Water and Sewer Revenue Refunding Bonds, 1977" (herein defined as the "Refunding Bonds"); shall be in the denomination of \$5,000.00 each; shall be dated November 1, 1977; shall bear interest payable on January 1, 1978, and semiannually thereafter on the first days of each succeeding July and January, interest to maturity to be evidenced by coupons to be attached to the Refunding Bonds with full obligation on the part of the City to pay interest at the Refunding Bond rate or rates from and after the Refunding Bond maturity dates until the Refunding Bonds with interest are paid in full. 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 Treasurer of the City or, at the option of the holders thereof, at either fiscal agency of the State of Washington in the cities of Seattle, Washington, or New York, New York. The Refunding Bonds shall be payable solely from the Bond Fund and shall be a valid claim of the holders thereof only as against the Bond Fund and the fixed amount of the Revenue of the Waterworks Utility of the City and ULID Assessments pledged to such fund and shall not be a general obligation of the City. The Refunding Bonds shall be numbered, bear interest and mature in accordance with the following schedule:

<u>Bond Numbers (Inclusive)</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Maturities</u>
1 to 20	\$100,000	5.00%	January 1, 1980
21 to 41	105,000	5.00	January 1, 1981
42 to 63	110,000	5.00	January 1, 1982
64 to 86	115,000	5.00	January 1, 1983
87 to 110	120,000	5.00	January 1, 1984
111 to 136	130,000	5.00	January 1, 1985
137 to 163	135,000	5.50	January 1, 1986
164 to 192	145,000	5.50	January 1, 1987
193 to 222	150,000	5.50	January 1, 1988
223 to 254	160,000	5.50	January 1, 1989
255 to 288	170,000	5.50	January 1, 1990
289 to 324	180,000	5.60	January 1, 1991
325 to 362	190,000	5.70	January 1, 1992
363 to 402	200,000	5.75	January 1, 1993
403 to 444	210,000	5.80	January 1, 1994
445 to 488	220,000	5.80	January 1, 1995
489 to 535	235,000	5.90	January 1, 1996
536 to 567	160,000	5.90	January 1, 1997

Section 3. Option for Prior Redemption. Refunding Bonds numbered 1 to 192, inclusive, maturing January 1, 1980, through January 1, 1987, are issued without the right of the City to redeem the same prior to their respective maturity dates.

The City reserves the right to redeem Refunding Bonds numbered 193 to 567, inclusive, maturing January 1, 1988, through January 1, 1997, as a whole, or in part in inverse numerical order, from money derived from any source, at the following times and prices if redeemed on the following dates, plus accrued interest to date of redemption in each case:

On January 1 and July 1, 1987 at 102%
On January 1 and July 1, 1988 at 101-1/2%
On January 1 and July 1, 1989 at 101%
On January 1 and July 1, 1990 at 100-1/2%
On January 1, 1991 and any interest payment date thereafter at 100%

Notice of any call for the redemption of any of the Refunding Bonds prior to their respective 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 interest coupon due date on which the Refunding Bonds would be redeemed. Notice of such call for redemption shall also be mailed to Seattle-Northwest Securities Corporation at its principal place of business in Seattle, Washington, or its successor, not less than 30 nor more than 45 days prior to the interest coupon due date upon which the Refunding Bonds would be redeemed. In addition, such redemption notices shall also be mailed to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, but such notices shall not be a condition precedent to any such redemption. Interest on any Refunding Bonds so called for redemption shall cease on the date fixed for such redemption upon payment of the call price into the Bond Fund.

The City further reserves the right to purchase any or all of the Refunding Bonds in the open market at any time at a price

not in excess of the call price applicable at the next succeeding call date.

Section 4. Establishment of Bond Fund and Refunding Operation. There is hereby created and established in the office of the Treasurer of the City a special fund to be known and designated as the "Redmond Water and Sewer Revenue Refunding Bond Fund, 1977" (herein defined as the "Bond Fund"), which fund is to be drawn upon for the sole purpose of paying the principal of and interest on the Refunding Bonds and any Parity Bonds from and after the date thereof. Such fund is hereby divided into two accounts, namely, a "Principal and Interest Account" and a "Reserve Account." There is hereby also created and established in the office of the Treasurer of the City an additional fund to be known and designated as the "1977 Refunding Fund." 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 "1977 Refunding Fund" and an amount equal to the accrued interest on the Outstanding Bonds from the last principal and interest payment dates of such Outstanding Bonds to the date of delivery of the Refunding Bonds to the purchaser thereof, and an amount of principal, being a total of \$380,000.00, shall be transferred from the principal and interest accounts in the respective bond funds for the Outstanding Bonds and deposited in the "1977 Refunding Fund." The money in the "1977 Refunding Fund" shall be used immediately upon the receipt thereof to discharge the obligations of the City under Ordinance No. 294 passed September 22, 1962, authorizing the issuance of the 1962 Bonds, Ordinance No. 420 passed February 14, 1967, authorizing the issuance of the 1967 Bonds, Ordinance No. 471 passed July 9, 1968, authorizing the issuance of the 1968 Bonds, Ordinance No. 535 passed September 15, 1970, authorizing the issuance of the 1970 Bonds, Ordinance No. 590 passed

August 1, 1972, authorizing the issuance of the 1972 Bonds, and Ordinance No. 723, passed June 22, 1976, authorizing the issuance of the 1976 Bonds by providing for the payment as hereinafter set forth in this section of the principal of and interest on said Outstanding Bonds. To the extent practicable the City shall discharge such obligations by the purchase of Federal Land Bank Bonds and United States Treasury Certificates of Indebtedness, Notes and Bonds - state and local government series (commonly referred to as "book entries" [BE]) ("Acquired Obligations") bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide the money required to pay (a) the principal of and interest on the 1962 Bonds as the same shall become due up to and including December 1, 1997; (b) the principal of and interest on the 1967 Bonds as the same shall become due up to and including March 1, 1998; (c) the principal of and interest on the 1968 Bonds as the same shall become due up to and including July 1, 1990; (d) the principal of and interest on the 1970 Bonds as the same shall become due up to and including August 1, 1980; (e) the principal of and interest on the 1972 Bonds as the same shall become due up to and including September 1, 1984; and (f) the principal of and interest on the 1976 Bonds as the same shall become due up to and including June 1, 1991, and to redeem and retire on June 1, 1991, all outstanding 1976 Bonds maturing on December 1 in each of the years 1991 through 1997. Such "Acquired Obligations" are more particularly described in the proposal of Seattle-Northwest Securities Corporation hereinafter referred to and are set forth in Schedule "A" attached to the Agreement hereinafter referred to and attached hereto as Exhibit "A."

Such "Acquired Obligations" and a beginning cash balance of \$75,834.27 from the proceeds of the sale of the Refunding Bonds 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 money of the City with the aforesaid Refunding Trustee.

All the money 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 "1977 Refunding Fund," shall be held in trust and shall be used for the sole purpose of paying the Outstanding Bonds as aforesaid.

Any money remaining in the "1977 Refunding Fund" after the payment and retirement in full of the Outstanding 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 1976 Bonds. The City hereby irrevocably calls for redemption on June 1, 1991, all of the outstanding 1976 Bonds maturing after such call date at a price of par 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 Refunding Trustee, on behalf of the City Treasurer, is hereby authorized and directed to give notice of the redemption of the 1976 Bonds in accordance with the provisions of Ordinance No. 723 pertaining to the 1976 Bonds.

Section 6. Refunding Trustee's Duties and Agreement. The Refunding Trustee is hereby authorized and directed to pay the

principal of and interest on the Outstanding Bonds as aforesaid when due from the "Acquired Obligations" and money deposited with the Refunding Trustee pursuant to Section 4 of this ordinance. All "Acquired Obligations" and the money deposited with the Refunding Trustee and any income therefrom shall be held and applied in accordance with the provisions of the applicable bond ordinance pertaining to each issue of the Outstanding 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 setting up of the escrow to accomplish the refunding of the Outstanding Bonds, including but not limited to an allocable portion of bond counsel's fees chargeable to such escrow (60%) and an escrow computation fee to Seattle-Northwest Securities Corporation, shall be paid out of the principal proceeds of the Refunding Bonds. The costs relating to the issuance and delivery of the Refunding Bonds, including bond printing and an allocable portion of bond counsel's fees chargeable to the preparation of the legal proceedings and furnishing an approving legal opinion covering the Refunding Bonds (40%), shall be paid by Seattle-Northwest Securities Corporation as 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 Outstanding Bonds 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.

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 Bond Fund Considerations. So long as Refunding Bonds are outstanding against the Bond Fund, the Treasurer of the City shall set aside and pay into the Bond Fund all ULID Assessments hereafter paid and collected in ULIDs Nos. 68-W-12, 69-SS-15 and 70-SS-16 heretofore created and pledged to the payment of the 1970 Bonds and 1972 Bonds and out of the Revenue of the Waterworks Utility of the City a fixed amount, without regard to any fixed proportion, namely:

(a) Into the Principal and Interest Account, at least 20 days prior to each principal payment date and each interest payment date, an amount sufficient, together with ULID Assessment collections deposited therein, to pay the principal amount maturing on each maturity date of the Refunding Bonds and an amount sufficient to pay the interest payable on the Refunding Bonds on such interest payment date; and

(b) Into the Reserve Account, by transfer from the "Water and Sewer Revenue Bond Fund, 1970," created for the payment of the 1970 Bonds and 1972 Bonds, investments presently in such fund totalling \$130,000.00, and such additional amounts in substantially equal annual payments so that by no later than November 1, 1982, there shall be on deposit in such Reserve Account a total reserve at least equal to the average annual debt service requirements, both principal and interest, of the Refunding Bonds.

The Reserve Account shall be maintained in such total average annual debt service required reserve amount, except for withdrawals therefrom as authorized herein, at all times so long as any of the Refunding Bonds is outstanding, PROVIDED, that when the total amount in the Bond Fund shall equal the total amount of principal and interest for all outstanding bonds payable out of the Bond Fund to the last maturity thereof, no further payment need be made into the Bond Fund, and PROVIDED, FURTHER, that the amount in such Reserve Account may be reduced at any time to an amount not

less than the average annual debt service requirements for the Refunding Bonds then outstanding.

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 money from the Revenue of the Waterworks Utility of the City and/or ULID Assessments, if any, payable into the Bond Fund first available after making necessary provision for the required payments into the Principal and Interest Account. The money in the Reserve Account shall otherwise be held intact and may be applied against the last outstanding bonds payable out of the Bond Fund.

All money in the Bond Fund not needed to meet the payments of principal and interest when due may be kept on deposit in the official bank depository of the City or in any national bank or may be invested in any legal investment. Interest on any such investment or on such bank account shall be deposited in and become a part of the Bond Fund.

The City Council and corporate authorities of the City hereby declare that in fixing the amounts to be paid into the Bond Fund they have considered and had due regard for the Operating and Maintenance Expenses 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 Operating and Maintenance Expenses of the Waterworks Utility of the City, and that no portion of the Revenue of the Waterworks Utility of the City has been previously pledged for any

other indebtedness except for payment of the Outstanding Bonds, provision for the retirement and payment of which is herein made.

Section 8. Lien Position of Refunding Bonds. All Revenue of the Waterworks Utility of the City and ULID Assessments hereafter paid and collected in ULIDs Nos. 68-W-12, 69-SS-15 and 70-SS-16 heretofore created are hereby pledged to the payments required to be made into the Bond Fund, and the Refunding Bonds shall constitute a charge and lien upon such Revenue and ULID Assessments prior and superior to all other charges and liens whatsoever, excluding Operating and Maintenance Expenses, except that the charge and lien upon such Revenue and ULID Assessments for the Refunding Bonds shall be on a parity with the charge and lien upon the same and upon any ULID Assessments hereafter pledged to be paid into the Bond Fund for any Parity Bonds, the charge and lien upon such Revenue and ULID Assessments for the 1967 Bonds and 1968 Bonds being defeased as a matter of law and for the 1970 Bonds and 1972 Bonds pursuant to the provisions of Section 8 of Ordinance NO. 535 as to the 1970 Bonds and of Section 8 of Ordinance No. 590 as to the 1972 Bonds immediately upon deposit with the Refunding Trustee of the money and book entry "Acquired Obligations" (being direct obligations of the United States of America and equivalent to cash) which are hereby pledged first to the payment of such 1967 Bonds, 1968 Bonds, 1970 Bonds, and 1972 Bonds and the charge and lien upon such Revenue and ULID Assessments for the 1976 Bonds being defeased pursuant to the provisions of Section 11 of Ordinance No. 723 immediately upon deposit with the Refunding Trustee of the "Acquired Obligations" (the Federal Land Bank Bonds being pledged solely to the payment of such 1976 Bonds and to be used with the remaining book entries), all as provided herein.

Section 9. 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 establish, maintain and collect such rates and charges for water and sanitary sewage disposal service so long as any Refunding Bonds and any Parity Bonds are outstanding which, together with other miscellaneous Revenue of the Waterworks Utility of the City, will provide amounts annually at least equal to 1.25 times the portion of annual debt service, excluding the principal of any Term Bonds, on the Refunding Bonds and Parity Bonds actually paid from such Revenue of the Waterworks Utility of the City, and not from ULID Assessments, after payment of Operating and Maintenance Expenses (herein called the "Coverage Requirement). In determining the amount of debt service subject to coverage, there shall be deducted from the annual principal and interest required to be paid each year, an amount equal to the percentage of the debt service for each year on each issue of outstanding Parity Bonds and the Refunding Bonds equal to the percentage arrived at by dividing the original total amount of the ULID Assessments specifically pledged to the Bond Fund in that issue by the original total principal amount of such issue. To simplify, where ULIDs are involved, only the debt service on that portion of any Parity Bond issue not covered by ULID Assessments must be subject to the 25% Coverage Requirement. For the purposes of the Refunding Bonds 75% of the debt service thereon through the year 1982 is in fact payable from Revenue of the Waterworks Utility and only that portion of such debt service is subject to the Coverage Requirement.

(b) 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.

(c) That it will not sell, lease, mortgage or in any manner encumber or dispose of all the property 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 bonds payable out of the Bond Fund at any time outstanding, and that it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of said Waterworks Utility of the City that is used, useful and material to the operation thereof, unless provision is made for replacement thereof, or for payment into the Bond Fund of the total amount of Revenue received which shall not be less than an amount which shall bear the same ratio to the amount of outstanding bonds payable out of the Bond Fund as the Revenue available for debt service for such outstanding 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 bonds from the entire

Utility for the same period. Any such money so paid into the Bond Fund shall be used to retire such outstanding bonds at the earliest possible date.

(d) That it will, while any of the Refunding Bonds remains outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to its Waterworks Utility, and it will furnish any subsequent holder or holders of the Refunding Bonds if the Refunding Bonds shall be owned by other than a Fund of the City, at the written request of such holder or holders, complete operating and income statements of said Utility 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 25% 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 said 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 such other audit as is authorized by law in lieu thereof.

(e) 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.

(f) That it will carry the types of insurance on its Waterworks Utility properties 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 Maintenance Expenses. 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 Utility on which such War Risk Insurance may be written in an amount or amounts to cover adequately the value thereof.

(g) That it will pay all Operating and Maintenance Expenses and otherwise meet the obligations of the City as herein set forth.

(h) That it will not make any use of the proceeds of sale of the Refunding Bonds or any other funds of the City which may be deemed to be proceeds of such Refunding Bonds pursuant to Section 103(c)(2) of the Internal Revenue Code, as amended, and the applicable Regulations thereunder which, if such use had been reasonably expected on the date of delivery of the Refunding Bonds to the initial purchaser thereof,

would have caused the Refunding Bonds to be "Arbitrage Bonds" within the meaning of said section and said Regulations.

(i) That it will use, pay out and distribute the Revenue of the Waterworks Utility of the City, other than money deposited in bond redemption funds, in the following order of priority:

(1) To pay Operating and Maintenance Expenses.

(2) To meet the required debt service payments on the Refunding Bonds and any Parity Bonds hereafter issued.

(3) To meet the required debt service on any water and sewer revenue bonds issued having a charge and lien on the Revenue of the Waterworks Utility junior to the Refunding Bonds; to redeem and retire any then outstanding water and sewer revenue bonds or to purchase any or all of those bonds in the open market as provided in this ordinance; to make necessary betterments and replacements of or repairs, additions or extensions to the Waterworks Utility of the City; or for any other lawful purpose.

Section 10. Refunding Bonds 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, 1977

_____ %

The City of Redmond, State of Washington (hereinafter called the "City"), for value received promises to pay to bearer on the FIRST DAY OF JANUARY, 19__, the principal sum of

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of _____ % per annum, payable on January 1, 1978, and semiannually thereafter on the first days of each succeeding July and January, upon presentation and surrender of the attached interest coupons as they severally mature up to the bond maturity date and 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 funds are available in the "Redmond Water and Sewer Revenue Refunding Bond

Fund, 1977" (hereinafter called 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 Treasurer of the City or, at the option of the holder hereof, at either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York, solely out of the special fund created by Ordinance No. 787, and referred to herein as 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 sanitary sewage disposal system as a part thereof, now belonging to or which may hereafter belong to the City, including all additions, extensions and betterments thereof now or at any time made or constructed (hereinafter referred to as the "Waterworks Utility"), without regard to any fixed proportion, namely, amounts sufficient, together with utility local improvement district assessments hereinafter referred to, to pay the principal of and interest on this issue of bonds as they respectively become due and to accumulate a reserve, all at the times and in the manner set forth in Ordinance No. 787 (hereinafter referred to as the "Bond Ordinance"). The bonds are not a general obligation of the City.

The gross revenues from the Waterworks Utility and all assessments hereafter collected in all utility local improvement districts heretofore created and pledged to the payment of bonds being refunded as hereinafter set forth (being Utility Local Improvement Districts Nos. 68-W-12, 69-SS-15 and 70-SS-16) 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 and assessments prior and superior to all other charges and liens whatsoever, excluding charges for operation and maintenance of such utility as defined in the Bond Ordinance, except that the charge and lien upon such gross revenues and assessments for the bonds of this issue shall be on a parity with the charge and lien upon the same for any additional revenue bonds hereafter issued on a parity therewith in accordance with the provisions of Section 13 of the Bond Ordinance.

This bond is one of a total issue of \$2,835,000.00 par value of bonds, all of like date, tenor and effect, except as to maturities, interest rates and option of redemption, all payable from the Bond Fund and all issued by the City under and in pursuance of 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 a part of the funds to refund, pay and retire all of its outstanding "Water

and Sewer Revenue Bonds, 1962, Series A," dated October 1, 1962, "Water and Sewer Refunding and Construction Revenue Bonds, 1967," dated March 1, 1967, "Water and Sewer Revenue Bonds, 1968," dated July 1, 1968, "Water and Sewer Revenue Bonds, 1970," dated August 1, 1970, "Water and Sewer Revenue Bonds, 1972," dated September 1, 1972, and "Water and Sewer Revenue Refunding Bonds, 1976," dated June 1, 1976, all as provided in the Bond Ordinance, 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 the Bond Ordinance as more fully describing the covenants with and rights of holders of bonds of this issue.

Bonds numbered 1 to 192, inclusive, maturing January 1, 1980, through January 1, 1987, are issued without the right of the City to redeem the same prior to their respective maturity dates.

The City reserves the right to redeem bonds numbered 193 to 567, inclusive, maturing January 1, 1988, through January 1, 1997, as a whole, or in part in inverse numerical order, from money derived from any source, at the following times and prices if redeemed on the following dates, plus accrued interest to date of redemption in each case:

On January 1 and July 1, 1987 at 102%
On January 1 and July 1, 1988 at 101-1/2%
On January 1 and July 1, 1989 at 101%
On January 1 and July 1, 1990 at 100-1/2%
On January 1, 1991 and any interest payment date thereafter at 100%

Notice of any call for the redemption of any of the bonds prior to their respective 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 interest coupon due date on which the bonds would be redeemed. Notice of such call for redemption shall also be mailed to Seattle-Northwest Securities Corporation at its principal place of business in Seattle, Washington, or its successor, not less than 30 nor more than 45 days prior to the interest coupon due date upon which the bonds would be redeemed. In addition, such redemption notices shall also be mailed to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, but such notices shall not be a condition precedent to any such redemption. Interest on any bonds so called for redemption shall cease on the date fixed for such redemption upon payment of the call price into the Bond Fund.

The City further reserves the right to purchase any or all of the bonds in the open market at any time at a price not in excess of the call price applicable at the next succeeding call date.

The City hereby covenants and agrees with the holders of each and every one of the bonds of this issue to fully carry out all covenants and meet all obligations of the City as set forth in the Bond Ordinance.

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

IN WITNESS WHEREOF, the City has caused this bond to be signed by the facsimile signature of its Mayor and attested by the manual signature of its City Clerk and its corporate seal to be hereto affixed and the interest coupons to be signed with the facsimile signatures of such officials this first day of November, 1977.

CITY OF REDMOND, WASHINGTON

By
(facsimile signature)
Mayor

ATTEST:

City Clerk

The interest coupons attached to the Refunding Bonds shall be in substantially the following form:

Coupon No. ____
\$ _____

(Unless the bond referred to below shall have been previously redeemed)

On the FIRST DAY OF (JANUARY) (JULY), 19 __, the CITY OF REDMOND, WASHINGTON, upon presentation and surrender of this coupon will pay to bearer at the office of the Treasurer of the City or, at the option of the holder hereof, at either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York, the sum shown hereon in lawful money of the United States of America from the special fund of the City known as the "Redmond Water and Sewer Revenue Refunding Bond Fund, 1977," such sum being the interest then due on its "Water and Sewer Revenue Refunding Bond, 1977," dated November 1, 1977, and numbered ____.

CITY OF REDMOND, WASHINGTON

By
(facsimile signature)
Mayor

ATTEST:

(facsimile signature)
City Clerk

Section 11. Execution of Refunding Bonds. The Refunding Bonds shall be printed on lithographed forms, shall be signed by the facsimile signature of the Mayor and attested by the manual signature of the City Clerk, and shall have the seal of the City affixed thereto and the interest coupons attached thereto shall bear the facsimile signatures of the Mayor and the City Clerk.

Section 12. Defeasance Clause. 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 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 costs of refunding, and shall have irrevocably set aside 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 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 (hereinafter collectively called the "defeased Refunding Bonds") in the covenants of this ordinance, in the Revenue of the Waterworks Utility of the City, funds and accounts, including ULID Assessments, obligated to the payment of such Refunding Bonds shall thereafter cease and become void, except such owners and holders shall have the right to receive payment of the principal of and interest on

the defeased Refunding Bonds from the trust account and, in the event the funds in the trust account are not available for such payment, shall have the residual right to receive payment of the principal of and interest on the defeased Refunding Bonds from the Revenue of the Waterworks Utility of the City and ULID Assessments without any priority of lien or charge against that Revenue and Assessments or covenants with respect thereto except to be paid therefrom. After the establishing and full funding of such trust account, the City may then apply any money in any other fund or account established for the payment or redemption of the defeased Refunding Bonds to any lawful purposes as it shall determine, subject only to the rights of the holders of any other bonds then outstanding.

In the event that the refunding plan provides that the Refunding Bonds being refunded or the refunding bonds to be issued 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 which are not defeased Refunding Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of coverage for issuance of Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Section 13. Provision for Additional Parity Bonds. The City reserves the right to issue Parity Bonds which will constitute a charge and lien upon the Revenue of the Waterworks Utility

of the City and ULID Assessments heretofore and hereafter pledged to be paid into the Bond Fund on a parity with the Refunding Bonds if the following conditions should be met and complied with at the time of the issuance of such Parity Bonds, to wit:

(1) At the time of issuance of such Parity Bonds, there shall not be any deficiency in the Bond Fund or the Reserve Account therein.

(2) Each ordinance providing for the issuance of such Parity Bonds shall require that all Assessments levied in any ULID created in connection with the Parity Bonds then being issued will be paid directly into the Bond Fund.

(3) 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.

(4) The ordinance authorizing any Parity Bonds shall require that the Reserve Account be increased within a period of five years after the date of issuance of the Parity Bonds to an amount equal to the average annual principal and interest requirements on all Parity Bonds, including the Refunding Bonds and the proposed Parity Bonds to be issued, excluding from such amount the principal amount of any Term Bonds included in the Parity Bonds issue.

(5) At the time of the issuance of such Parity Bonds, the City shall have on file a certificate from an independent licensed professional engineer experienced in the design, construction and operation of municipal utilities, showing that in his professional opinion, the annual income available for debt service on the Refunding Bonds, Parity Bonds then outstanding and the Parity Bonds proposed to be issued for each year shall be at least equal to the Coverage Requirement (1.25 times that amount of debt service to be paid from operating Revenue and not Assessments).

In determining whether the City is able to comply with the parity conditions, the Revenue of the Waterworks Utility of the City, less Operation and Maintenance Expenses, for any twelve consecutive calendar months out of the immediately preceding twenty-four consecutive months shall be used. The following adjustments may be made to the historical net operating Revenue of the Waterworks Utility of the City:

(1) Any rate change that has taken place or been approved, may be reflected;

(2) Revenue may be added from customers actually added to the Utility subsequent to the 12-month base period;

(3) Revenue may be added from customers to be served by the improvements being constructed out of the proceeds of the Parity Bonds to be issued; and

(4) Revenue may be added from customers reasonably anticipated to be added to the Utility where service is available, provided that the annual income thus determined shall only be increased annually for three calendar years following the issuance of the Parity Bonds, and provided that the aggregate of such estimate of additional customers may not exceed the actual aggregate of new customers during the three calendar years immediately preceding the issuance of such Parity Bonds.

Nothing contained in the provisions for parity shall prevent the City from issuing revenue bonds having a junior lien on the Revenue of the Waterworks Utility of the City or from pledging the payment of ULID Assessments into a bond redemption fund or account created to pay and secure the payment of the principal and interest on such junior lien bonds as long as such ULID Assessments are levied to pay part or all of the cost of improvements being constructed out of the proceeds of the sale of such junior lien bonds. Neither 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 money is not otherwise available.

Section 14. Temporary Bond. Pending the printing, execution and delivery to the purchaser of the definitive Refunding Bonds, the City may cause to be executed and delivered to such purchaser a single temporary Refunding Bond in the principal amount of \$2,835,000.00. Such temporary Refunding Bond shall bear the same date of issuance, interest rates, principal payment dates

and terms and covenants as the definitive Refunding Bonds, and shall be issued as a fully registered bond in the name of such purchaser, and shall be in such form as acceptable to such purchaser. Such temporary Refunding Bond shall be exchanged for the definitive Refunding Bonds as soon as the same are printed, executed and available for delivery.

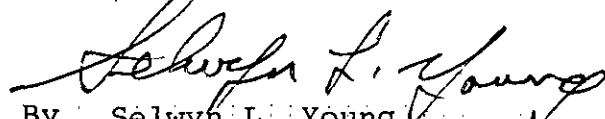
Section 15. Sale and Delivery of Refunding Bonds.

Seattle-Northwest Securities Corporation of Seattle, Washington, heretofore offered to purchase the Refunding Bonds at a price of \$98.00 per each \$100.00 of par plus accrued interest to the date of delivery of the Refunding Bonds, the City to furnish the printed Refunding Bonds and the unqualified 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, bond rating service charges, an allocable portion of the cost of such legal opinion as set forth in Section 6 above and the cost of delivering the Refunding Bonds to such purchaser. Bond counsel's opinion shall state that bond counsel has not reviewed, and thus expresses no opinion concerning, the completeness or accuracy of any official statement, offering circular or other sales material relating to the issuance of the Refunding Bonds or otherwise used in connection with the Refunding Bonds. The City Council, being of the opinion that it was in the best interests of the City to accept such offer, duly accepted the same on October 4, 1977, and such acceptance is hereby ratified and confirmed. The Refunding Bonds shall, therefore, immediately upon their execution be delivered to the purchaser upon payment for the Refunding Bonds in accordance with such offer.

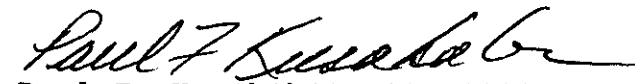
Section 16. Effective Date. This ordinance shall take effect and be in force five days after its passage, approval and legal publication.

PASSED by the City Council of the City of Redmond, Washington, at a regular open public meeting thereof and APPROVED by the Mayor this 1st day of November, 1977.

CITY OF REDMOND, WASHINGTON


By Selwyn L. Young
Mayor

ATTEST:


Paul F. Kusakabe
City Clerk

FORM APPROVED:


John D. Lawson
City Attorney

Published in the Sammamish Valley News on November 9, 1977.

A G R E E M E N T

THIS AGREEMENT made and entered into as of the 4th day of November, 1977, 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 the following bonds:

(a) \$537,000.00 principal amount of its "Water and Sewer Revenue Bonds, 1962, Series A" issued under date of October 1, 1962 (hereinafter called the "1962 Bonds"), which bonds mature on December 1 in each of the years 1977 through 1997, and all bear interest at the rate of 4.25% per annum;

(b) \$375,000.00 principal amount of its "Water and Sewer Revenue Bonds, 1967," issued under date of March 1, 1967 (hereinafter called the "1967 Bonds"), which bonds mature on March 1 in each of the years 1978 through 1998, a part of which bonds bear interest at the rate of 3.75% per annum, and the remainder of which bonds bear interest at the rate of 4.50% per annum;

(c) \$925,000.00 principal amount of its "Water and Sewer Revenue Bonds, 1968," issued under date of July 1, 1968 (hereinafter called the "1968 Bonds"), which bonds mature on July 1 in each of the years 1978 through 1990, a part of which bonds bear interest at the rate of 5.75% per annum, and the remainder of which bonds bear interest at the rate of 5.80% per annum;

(d) \$25,000.00 principal amount of its "Water and Sewer Revenue Bonds, 1970," issued under date of August 1, 1970 (hereinafter called the "1970 Bonds"), which bonds mature on August 1 in each of the years 1978 through 1980, and all bear interest at the rate of 7% per annum;

(e) \$375,000.00 principal amount of its "Water and Sewer Revenue Bonds, 1972," issued under date of September 1, 1972 (hereinafter called the "1972 Bonds"), which bonds mature on September 1 in each of the years 1978 through 1984, and all bear interest at the rate of 5.75% per annum;

(f) \$920,000.00 principal amount of its "Water and Sewer Revenue Refunding Bonds, 1976," issued under date of June 1, 1976 (hereinafter called the "1976

Bonds"), which bonds mature on December 1 in each of the years 1977 through 1997, and all bear interest at the rate of 7% per annum.

(All of which bonds are sometimes hereinafter referred to as the "Outstanding Bonds.") Pursuant to Ordinance No. 787, passed by the City Council and approved by the Mayor on November 1, 1977, the City has determined:

(a) All of the outstanding 1962 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1962 Bonds as the same become due up through December 1, 1997;

(b) All of the outstanding 1967 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1967 Bonds as the same become due up through March 1, 1998;

(c) All of the outstanding 1968 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1968 Bonds as the same become due up through July 1, 1990;

(d) All of the outstanding 1970 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1970 Bonds as the same become due up through August 1, 1980;

(e) All of the outstanding 1972 Bonds may be refunded by providing funds for the payment of the principal of and interest on such 1972 Bonds as the same become due up through September 1, 1984;

(f) All of the outstanding 1976 Bonds may be refunded by the payment of the principal of and interest on such 1976 Bonds until June 1, 1991, at which time all of the 1976 Bonds, which mature on December 1 of each of the years 1991 through 1997, will be called, paid and retired;

out of the proceeds of the sale of its "Water and Sewer Revenue Refunding Bonds, 1977" (hereinafter referred to as the "Refunding Bonds"), and money presently on hand in the bond redemption funds for all of such Outstanding Bonds.

SECTION 2. Provisions for Refunding. To accomplish the refunding of all of the 1962 Bonds, 1967 Bonds, 1968 Bonds, 1970 Bonds, 1972 Bonds and 1976 Bonds, including the payment of principal and interest to become due on all of such Outstanding Bonds as they

respectively become due and to call and pay such 1976 Bonds as set forth in the immediately preceding section, the City, simultaneously with the delivery of the Refunding Bonds issued pursuant to said Ordinance No. 787, does hereby agree irrevocably to deposit with the Refunding Trustee in trust for the security and benefit of the holders and owners of the Outstanding Bonds and the Refunding Bonds the sum of \$ 75,834.27 in cash from the proceeds of sale of the Refunding Bonds and Federal Land Bank Bonds and United States Treasury Certificates of Indebtedness, Notes and Bonds - state and local government series (commonly referred to as "book entries" [BE]) 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 are hereinafter referred to as "Acquired Obligations," and such cash and "Acquired Obligations," with the investment income therefrom, will be sufficient to pay:

(a) The principal of and interest on the 1962 Bonds as the same shall become due up to and including December 1, 1997;

(b) The principal of and interest on the 1967 Bonds as the same shall become due up to and including March 1, 1998;

(c) The principal of and interest on the 1968 Bonds as the same shall become due up to and including July 1, 1990;

(d) The principal of and interest on the 1970 Bonds as the same shall become due up to and including August 1, 1980;

(e) The principal of and interest on the 1972 Bonds as the same shall become due up to and including September 1, 1984;

(f) The principal of and interest on the 1976 Refunding Bonds as the same shall become due up to and including June 1, 1991, at which time all of the 1976 Bonds which mature on December 1 in each of the years 1991 through 1997 will be called, paid and retired.

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 date for such Outstanding Bonds and the amount of principal required on June 1, 1991, to pay and redeem the outstanding 1976 Bonds maturing after such call date as aforesaid.

The City by said Ordinance No. 787 has irrevocably called for redemption on June 1, 1991, all of the outstanding 1976 Bonds at a redemption price of 100% of par plus accrued interest to such date of redemption. Such call for redemption shall be irrevocable upon the delivery of the Refunding Bonds. The Refunding Trustee, on behalf of the Treasurer of the City, shall provide for the publication and mailing of the proper notice of such redemption or prepayment in accordance with the provisions of Ordinance No. 723 pertaining to the outstanding 1976 Bonds.

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

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 Treasurer of the City in amounts sufficient to pay the interest on and principal of each issue of the Outstanding Bonds coming due and payable on or before each respective payment date and the redemption price to be payable with respect to the outstanding 1976 Bonds on their call date as aforesaid.

SECTION 5. Nonreinvestment 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 the "Acquired 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 "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 Treasurer of the City for the credit of the "1977 Refunding Fund" of the City as and when realized and collected for use and application as other money deposited in said "1977 Refunding Fund."

For as long as any of the Outstanding Bonds are outstanding, on or before the 10th day of each month, commencing with the month of January, 1978, 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 "Acquired Obligations" which have matured, the amounts received by the Refunding Trustee by reason of such maturity and the investment income received from such "Acquired Obligations," the amounts paid to such Treasurer for credit to the "1977 Refunding Fund" and the dates of such delivery for the payment of the interest on and principal of each issue of such Outstanding Bonds as the same shall become due and/or payable and the final payment of the redemption price for the outstanding 1976 Bonds on their call date 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
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

Serwyn L. Young
By Serwyn L. Young
Mayor

ATTEST:

Paul F. Kusakabe
Paul F. Kusakabe
City Clerk

APPROVED AS TO FORM:
John D. Lawson, ATTORNEY
CITY OF REDMOND, WASHINGTON

PEOPLES NATIONAL BANK OF WASHINGTON

By _____
Trust Officer