

CITY OF BONNEY LAKE, WASHINGTON
WATER AND SEWER REVENUE BONDS, 2016

ORDINANCE NO. 1554

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, AUTHORIZING THE ISSUANCE OF WATER AND SEWER REVENUE BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED \$16,000,000 TO FINANCE A PORTION OF THE COST OF CONSTRUCTING A NEW PUBLIC WORKS BUILDING; DELEGATING AUTHORITY TO THE CITY ADMINISTRATOR AND CHIEF FINANCIAL OFFICER TO COMPLETE THE SALE OF THE BONDS; AND PROVIDING THE TERMS AND CONDITIONS FOR ISSUING ADDITIONAL WATER AND SEWER REVENUE BONDS ON A PARITY WITH THE BONDS AUTHORIZED BY THIS ORDINANCE.

PASSED: September 6, 2016

Prepared by:

Stradling Yocca Carlson & Rauth, P.C.
Seattle, Washington

CITY OF BONNEY LAKE, WASHINGTON

ORDINANCE NO. 1554

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Definitions	2
Section 2. Plan of Additions; the Project.....	7
Section 3. Satisfaction of Parity Conditions	7
Section 4. Authorization of Bonds.....	8
Section 5. Registration, Payment and Transfer.....	8
Section 6. Redemption and Purchase of Bonds	11
Section 7. Revenue Fund; Priority of Payments from Gross Revenue	13
Section 8. Bond Fund	15
Section 9. Defeasance	18
Section 10. General Covenants.....	19
Section 11. Tax Covenants	21
Section 12. Additional Borrowing.....	21
Section 13. Contract Resource Obligations	24
Section 14. Separate Utility Systems	25
Section 15. Form and Execution of the Bonds	25
Section 16. Lost or Destroyed Bonds	26
Section 17. Application of Bond Proceeds	26
Section 18. Sale of the Bonds	27
Section 19. Continuing Disclosure	28
Section 20. Amendatory and Supplemental Ordinances.....	30
Section 21. General Authorization; Prior Acts	32
Section 22. Severability	32
Section 23. Effective Date	32
EXHIBIT A Form of Bonds	

CITY OF BONNEY LAKE

ORDINANCE NO. 1554

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, AUTHORIZING THE ISSUANCE OF WATER AND SEWER REVENUE BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED \$16,000,000 TO FINANCE A PORTION OF THE COST OF CONSTRUCTING A NEW PUBLIC WORKS BUILDING; DELEGATING AUTHORITY TO THE CITY ADMINISTRATOR AND CHIEF FINANCIAL OFFICER TO COMPLETE THE SALE OF THE BONDS; AND PROVIDING THE TERMS AND CONDITIONS FOR ISSUING ADDITIONAL WATER AND SEWER REVENUE BONDS ON A PARITY WITH THE BONDS AUTHORIZED BY THIS ORDINANCE.

WHEREAS, the City of Bonney Lake, Washington (the "City"), owns and operates a domestic water supply and distribution system and a sanitary sewage collection and disposal system; and

WHEREAS, by Ordinance No. 496, the City combined the water and sewer systems to create a single utility for borrowing purposes, designated in Ordinance No. 496 as the waterworks utility; and

WHEREAS, the City wishes to construct a new public works building to provide maintenance, administrative, and operations offices for the System (as further described herein, the "Project"); and

WHEREAS, the Council finds that it is in the best interest of the City and customers of the System to issue bonds payable from revenue of the System (the "Bonds") to finance a portion of the cost of the Project, fund a debt service reserve, and pay costs of issuing the Bonds on the terms and conditions set forth in this ordinance; and

WHEREAS, the City currently has outstanding its Water and Sewer Revenue Refunding Bonds, 2007 (the "2007 Bonds"), issued pursuant to Ordinance No. 1260, passed on October 23, 2007 (the "2007 Bond Ordinance"); and

WHEREAS, the 2007 Bond Ordinance permits the City to add the City's stormwater drainage utility to the System for borrowing purposes, and the City wishes to do so, as provided in this ordinance; and

WHEREAS, the 2007 Bond Ordinance permits the City to issue to issue additional revenue bonds on a parity of lien with the 2007 Bonds if certain conditions are satisfied; and

WHEREAS, the City has determined that those conditions will be satisfied and that it is in the best interest of the City to sell the Bonds by negotiated sale to D.A. Davidson & Co.; and

WHEREAS, as authorized by RCW 39.46.040(2), the Council wishes to delegate to the City Administrator and Chief Financial Officer, as its designated representatives, the authority to complete the sale of the Bonds on the terms and within the parameters set forth in this ordinance;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BONNEY LAKE, WASHINGTON, DO ORDAIN, as follows:

Section 1. Definitions. As used in this ordinance, the following words have the following meanings, unless a different meaning clearly appears from the context:

"Annual Debt Service" means, in any calendar year, that year's total of principal and interest requirements for the then-outstanding Parity Bonds (except the principal maturity of any Parity Bonds issued as term bonds), plus any mandatory sinking fund or mandatory bond redemption requirement for such Parity Bonds for that year, less all capitalized interest payable that year from proceeds of such Parity Bonds.

From and after the date on which no 2007 Bonds remain outstanding, "Annual Debt Service" may be reduced by the amount of any Debt Service Offsets for the applicable calendar year.

"Assessment Bonds" means the principal portion of any issue of Parity Bonds allocated to the financing of improvements within a ULID. The allocation will be determined as of the issue date of each series of Parity Bonds (and as of any date on which any Parity Bonds are redeemed, defeased or purchased), and the total amount so allocated will be equal to the principal amount of ULID Assessments on the final assessment roll for that ULID remaining unpaid as of that date. Assessment Bonds will be allocated pro rata to each maturity within a series of Parity Bonds. (For example, if the then-outstanding assessments equal 70% of the total principal amount of a series of Parity Bonds that financed ULID improvements, then 70% of each maturity of that series will be deemed Assessment Bonds.) Upon redemption, defeasance or purchase of all or a portion of a series of Parity Bonds that includes an allocation of Assessment Bonds, the amount of Assessment Bonds remaining outstanding will be reduced on a pro rata basis with bonds that are not deemed Assessment Bonds.

"Average Annual Debt Service" means, in any calendar year, the sum of the remaining Annual Debt Service of the then-outstanding Parity Bonds, divided by the number of years those Parity Bonds are scheduled to remain outstanding.

"Beneficial Owner" means any person that has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of or make decisions concerning ownership of, any Bond (including persons holding Bonds through nominees, depositories or other intermediaries).

"Bond Fund" means the "Water and Sewer Revenue Bond Fund, 1998" created pursuant to Section 10 of Ordinance No. 761 and continued by this ordinance.

"Bond Register" means the registration books maintained by the Registrar setting forth the names and addresses of owners of the Bonds in compliance with Section 149 of the Code.

"Chief Financial Officer" means the Chief Financial Officer of the City or the successor to the duties of that office.

"City" means the City of Bonney Lake, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

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

"Contract Resource Obligation" means an obligation of the City designated as such in accordance with Section 13 of this ordinance to make payments for water supply, sewer service, water or sewage treatment or disposal, or other goods or service relating to the System.

"Council" means the Bonney Lake City Council, the general legislative body of the City, as it may be duly and regularly constituted from time to time.

"Debt Service Offset" means receipts of the City, including but not limited to federal interest subsidy payments, designated as such by the City that are not included in Gross Revenue and are legally available and pledged to pay debt service on Parity Bonds.

"Designated Representatives" means the City Administrator and the Chief Financial Officer appointed as the District's designated representatives in accordance with RCW 39.46.040(2), either of whom may act alone as provided in this ordinance.

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 4 hereof.

"Fitch" means Fitch Ratings, its successors and their assigns, and, if that entity is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Fitch" will be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or S&P) designated by the Chief Financial Officer.

"Future Parity Bonds" means revenue bonds of the City issued after the date of issuance of the Bonds that have a lien on Gross Revenue to pay and secure payment of the principal thereof and interest thereon equal to the lien on Gross Revenue to pay and secure payment of the principal of and interest on the Bonds.

"Government Obligations" means those obligations now or hereafter defined as such in chap. 39.53 RCW, as it may be hereafter amended or restated.

"Gross Revenue" means all the earnings and revenue received by the System from any source whatsoever, including connection charges, except ULID Assessments, general ad valorem taxes, grants from the state or federal governments, proceeds from the sale of City property, bond

proceeds, gifts, developer extension payments, and earnings in refunding or defeasance accounts (unless such earnings are paid into the Bond Fund). Once the Rate Stabilization Account may be established, as provided in Section 7(c) of this ordinance, deposits into the Rate Stabilization Account will be deducted from Gross Revenue and withdrawals from the Rate Stabilization Account will be added to Gross Revenue.

"Independent Utility Consultant" means (i) an independent registered professional engineer experienced in the design, construction and operation of municipal utilities and licensed to practice in the State, or (ii) an independent certified public accountant, and from and after the date on which no 2007 Bonds remain outstanding, may also mean (iii) an independent person or firm having a reputation for skill and experience with municipal utilities of comparable size and character to the System in such areas as are relevant to the purpose for which he, she or it is retained.

"Letter of Representations" means a blanket issuer letter of representations from the City to DTC.

"Maximum Annual Debt Service" means the maximum amount of Annual Debt Service that will become due in any future year on any outstanding Parity Bonds.

"Moody's" means Moody's Investors Service, its successors and their assigns, and, if that entity is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the Chief Financial Officer.

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Revenue" means Gross Revenue less the Operating and Maintenance Expenses. For all calculations of Net Revenue contemplated by this ordinance, Gross Revenue may include withdrawals from the Rate Stabilization Account, as provided in Section 7(c) of this ordinance.

"Operating and Maintenance Expenses" means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition and all payments made to another agency for treatment or disposal of sewage or acquisition of water, but excluding depreciation, any City-imposed utility taxes or payments in lieu of taxes, and non-cash adjustments.

"Parity Bonds" means the 2007 Bonds, the Bonds, and any Future Parity Bonds.

"Principal and Interest Account" means the account of that name established within the Bond Fund to pay the principal of and interest on all Parity Bonds.

"Project" means the acquisition, construction, and equipping of a new public works building to provide maintenance, administrative, and operations offices for the System, as described in Section 2 of this ordinance.

“Project Fund” means the “Public Works Building Construction Fund 2016” authorized to be created pursuant to Section 17 of this ordinance.

"Purchase Contract" means the contract for purchase of the Bonds authorized to be entered into by the City and the Underwriter pursuant to Section 18.

“Qualified Insurance” means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of the policy or surety bond, are currently rated in one of the two highest rating categories by two Rating Agencies.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a financial institution for the account of the City on behalf of registered owners of the applicable Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is currently rated in one of the two highest rating categories by any Rating Agency.

“Rate Stabilization Account” means the account of that name authorized to be established within the Revenue Fund pursuant to Section 7(c) of this ordinance.

“Rating Agency” means Moody’s, S&P or Fitch.

“Registered Owner” means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC will be deemed to be the sole Registered Owner.

"Registrar" means, initially, the fiscal agent of the State of Washington, as the same may be designated from time to time, whose duties include registering and authenticating the Bonds, maintaining the Bond Register, paying principal of and interest on the Bonds, and effecting transfers of the Bonds.

"Reserve Account" means the account of that name established within the Bond Fund to secure the payment of the principal of and interest on all Parity Bonds.

"Reserve Requirement" means the least of (i) 1.25 times the Average Annual Debt Service of all outstanding Parity Bonds, (ii) Maximum Annual Debt Service of all outstanding Parity Bonds, or (iii) 10% of the principal amounts of all Parity Bonds then outstanding, as of the date each series of those Parity Bonds was issued.

“Revenue Fund” means the City’s Combined Utility Revenue Fund described in Section 7 as comprising the enterprise funds into which are deposited revenue of the utilities that are combined for borrowing purposes as the “System.”

“Rule” means the SEC’s Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“S&P” means Standard & Poor’s Ratings Services, its successors and their assigns, and, if that entity is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or Fitch) designated by the Chief Financial Officer.

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

"State" means the State of Washington.

"Surety Bond" means any bond insurance, collateral, security, letter of credit, guaranty, surety bond or similar credit enhancement device providing for or securing the payment of all or part of the principal of and interest on any Parity Bonds, issued by an institution that has been assigned a credit rating at the time of issuance of those Parity Bonds secured by such Surety Bond equal to or better than the highest then-existing rating for any of the Parity Bonds.

"System" means the combined water supply and distribution system, sanitary sewage disposal system, and stormwater drainage system of the City, together with all additions thereto and betterments thereto and extensions thereof at any time made.

“Tax Certificate” means the certificate with respect to federal tax matters relating to the Bonds authorized to be executed by the Chief Financial Officer pursuant to the provisions of Section 11 of this ordinance.

“Term Bonds” means any Future Parity Bonds identified as such in the proceedings for the sale thereof, the payment of the principal of which is fully provided for by a schedule of mandatory sinking fund redemptions.

"ULID" means a utility local improvement district of the City.

"ULID Assessments" means all ULID assessments and installments thereof, plus interest and penalties thereon, levied in any ULID created to secure the payment of any Parity Bonds and pledged to be paid into the Bond Fund.

“Underwriter” means D.A. Davidson & Co.

“2007 Bond Ordinance” means Ordinance No. 1260 of the City, passed by the Council on October 23, 2007, which authorized the issuance of the 2007 Bonds.

"2007 Bonds" means the City’s Water and Sewer Revenue Refunding Bonds, 2007, dated December 3, 2007, issued pursuant to the 2007 Bond Ordinance in the initial principal amount of \$4,570,000, and currently outstanding in the approximate amount of \$1,335,000.

Rules of Interpretation. Words of the masculine gender are deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number include the plural numbers and vice versa unless the context otherwise indicates. Reference to sections and other subdivisions of this ordinance are to the sections and other subdivisions of this ordinance as originally adopted unless expressly stated to the contrary. The

headings or titles of the sections hereof, and the table of contents appended hereto, are for convenience of reference only and do not define or limit the provisions hereof.

Section 2. Adding the Stormwater Drainage Utility to the System; the Project.

A. As permitted by Ordinance No. 1260, which authorized the issuance of the 2007 Bonds, the City's stormwater drainage utility is hereby added to the System for borrowing purposes. Revenues of the stormwater drainage utility's enterprise fund shall be included in the Revenue Fund, as provided in Section 7 of this ordinance.

B. The City specifies and adopts as a plan of additions and improvements to and betterments of the System those capital improvements set forth in the City's current Capital Facilities Plan, which Plan includes the acquisition, construction and equipping of a new public works building and storage yard to support the administrative, maintenance and operational functions of the System, comprising approximately 11 acres of total space, including an 11,580sf administration building, 24,724sf of heated shops, and 9,002sf of heated garage space, plus a storage and materials yard, at an estimated cost of \$23,900,000 (a portion of which will be paid for from proceeds of the Bonds), to be located at a site to be determined by the Council (the "Project").

The cost of all necessary planning, legal, architectural, engineering, design and other consulting services, inspection and testing, administrative and relocation expenses, on- and off-site utilities, purchases of equipment, and other costs incurred in connection with the Project may be deemed a part of the cost of the Project. The City will determine the extent and specifications for the Project.

The City will determine the application of available funds among the various components of the Project to accomplish, as nearly as may be, the entire Project. If proceeds of sale of the Bonds, plus any other money of the City legally available for such purpose, are insufficient to accomplish all of the Project, the City will use the available funds to accomplish those components of the Project that the Council deems most necessary and in the best interest of the City.

If the City determines that it has become impracticable to accomplish one or more components of the Project because of changed conditions, incompatible development or costs substantially in excess of those estimated, the City shall not be required to accomplish such component or components and may apply the Bond proceeds to other components of the Project.

If the entire Project has been constructed or duly provided for, or found to be impracticable, and Bond proceeds remain available, the Council may apply Bond proceeds to other capital repairs or improvements to facilities of the System or to retiring the Bonds.

Section 3. Satisfaction of Parity Conditions. So that the Bonds may be issued as Parity Bonds, the Council hereby finds, in accordance with the provisions of Section 12 of the 2007 Bond Ordinance, as follows:

- The Bonds are being issued to acquire, construct, and install facilities of the System pursuant to a plan of additions and betterments (adopted as provided in Section 2 of this ordinance).
- There is not now, and at the time of the issuance of the Bonds there will not be, any deficiency in the Bond Fund, the Principal and Interest Account or the Reserve Account.
- The principal of and interest on the Bonds will be payable out of the Bond Fund.
- Upon the issuance of the Bonds, the Reserve Account will be funded at the Reserve Requirement from proceeds of the Bonds or other funds.
- By Section 6, this ordinance provides for the amortization of any Bonds issued as term bonds in accordance with a schedule of mandatory redemption payments.
- Prior to delivery of the Bonds to the Underwriter, the City will have on file a certificate of the Chief Financial Officer demonstrating that during any twelve consecutive calendar months out of the 36 months immediately preceding the date of issuance of the Bonds, Net Revenue will be at least equal to 1.25 times the maximum Annual Debt Service on the 2007 Bonds and the Bonds.

The parity conditions being satisfied or provided for, the Bonds may be issued with a lien on Gross Revenue equal to the lien thereon of the 2007 Bonds.

Section 4. Authorization of Bonds. The City shall now issue and sell not to exceed \$16,000,000 aggregate principal amount of water and sewer revenue bonds to pay costs of the Project, fund the Reserve Requirement, and pay costs of issuance of the bonds. The bonds shall be designated the “City of Bonney Lake, Washington, Water and Sewer Revenue Bonds, 2016” (the “Bonds”), shall be dated as of the date of their original issuance and delivery to the Underwriter, shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each or any integral multiple thereof, provided that no Bond shall represent more than one maturity, shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification and control, shall bear interest payable semiannually on the first days of June and December, commencing on the date and at rates to be established pursuant to Section 18 and set forth in the Purchase Contract, and shall mature in the years and in the principal amounts to be established pursuant to Section 18 and set forth in the Purchase Contract.

The Bonds are an obligation only of the Bond Fund and are payable and secured as provided herein. The Bonds do not constitute an indebtedness or general obligation of the City within the meaning of the constitutional and statutory provisions and limitations of the State of Washington.

Section 5. Registration, Payment and Transfer.

(a) *Registrar/Bond Register.* The City hereby specifies and adopts the system of registration and transfer for the Bonds approved by the Washington State Finance Committee from time to time through the appointment of a state fiscal agent. The City will cause the Bond Register to be maintained by the Registrar. So long as any Bonds remain outstanding, the Registrar will make all necessary provisions to permit the exchange or registration of transfer of Bonds at its principal corporate trust office. The Registrar may be removed at any time at the

option of the Chief Financial Officer upon prior notice to the Registrar, DTC, and each entity entitled to receive notice pursuant to Section 19, and a successor Registrar appointed by the Chief Financial Officer. No resignation or removal of the Registrar will be effective until a successor has been appointed and until the successor Registrar has accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance and to carry out all of the Registrar's powers and duties under this ordinance. The Registrar is responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The City and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 19 of this ordinance), and neither the City nor the Registrar will be affected by any notice to the contrary. Payment of the Bonds will be made only as described in Section 5(h) hereof, but Bonds may be transferred as herein provided. All payments made as described in Section 5(h) shall be valid and shall satisfy and discharge the liability of the City on the Bonds to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, a Designated Representative is authorized to execute and deliver to DTC a Letter of Representations.

Neither the City nor the Registrar has any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds for the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice that is permitted or required to be given to Registered Owners under this ordinance (except those notices as the City is required to give to the Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository will be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners mean DTC (or any successor depository) or its nominee and do not mean the owners of any beneficial interest in those Bonds.

(d) *Use of Depository.*

(1) The Bonds will be registered initially in the name of "Cede & Co.," as nominee of DTC, with one Bond for each interest rate maturing on each maturity date for the Bonds in a denomination corresponding to the total principal therein of that interest rate designated to mature on that date. Registered ownership of immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor must be qualified under applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Designated Representative pursuant to subsection (2) below or that substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Designated Representative to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Designated Representative may hereafter appoint a substitute depository. Any such substitute depository must be qualified under applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar, upon receipt of all outstanding Bonds, together with a written request on behalf of the Designated Representative, will issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in the written request of the Designated Representative.

(4) If (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Designated Representative determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain their bonds in certificated form, the ownership of the Bonds may then be transferred to any person or entity as herein provided, and will no longer be held in fully immobilized form. The Designated Representative will deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue certificated Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then outstanding Bonds together with a written request on behalf of the Designated Representative to the Registrar, new Bonds will be issued in the appropriate denominations and registered in the names of those persons named in the written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any Bond will be valid unless that Bond is surrendered to the Registrar with the assignment form appearing on the Bond duly executed by the Registered Owner or the Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon surrender, the Registrar will cancel the surrendered Bond and authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for the surrendered and cancelled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity, and interest rate, in any authorized denomination. The Registrar is not obligated to register the transfer or to exchange any Bond during the 15 days preceding the date that Bond is to be redeemed.

(f) *Registrar's Ownership of Bonds.* The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to

act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

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

(h) *Place and Medium of Payment.* The principal of and interest on the Bonds are payable in lawful money of the United States of America. Interest on the Bonds will be calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal of and interest on the Bonds will be made as provided in the operational arrangements of DTC referred to in the Letter of Representations.

If the Bonds are no longer in fully immobilized form, interest on the Bonds will be paid by check or draft mailed to the Registered Owners of the Bonds at the addresses for the Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date; provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States. Principal of the Bonds will be payable upon presentation and surrender of the Bonds by the Registered Owners at the principal office of the Registrar.

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

Section 6. Redemption and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds may be subject to optional redemption prior to their stated maturities as may be approved by a Designated Representative in accordance with Section 18 and set forth in the Purchase Contract.

(b) *Mandatory Redemption.* If any of the Bonds are structured as term bonds, a schedule of mandatory redemption payments to amortize those Bonds must be established and approved by a Designated Representative in accordance with Section 18 and set forth in the Purchase Contract.

(c) *Selection of Bonds for Redemption.* In the case of an optional redemption, the City may select the maturities to be redeemed. As long as the Bonds are held in book-entry only form, the selection of Bonds within a maturity to be redeemed will be made in accordance with the operational arrangements in effect at DTC. If the Bonds are no longer held in book-entry only form and the City redeems at any one time fewer than all of the Bonds of the same maturity, the particular Bonds or portions of Bonds of that maturity to be redeemed will be selected by lot (or in such other manner determined by the Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and Registrar will treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained

by dividing the actual principal amount of such Bond by \$5,000. If only a portion of the principal sum of a Bond is redeemed, upon surrender of the such Bond at the principal office of the Registrar there will be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity, and interest rate in any of the denominations herein authorized.

(d) *Purchase of Bonds.* The City reserves the right to purchase any of the Bonds at any time at a price deemed reasonable by the City.

(e) *Notice of Redemption.*

(1) *Official Notice.* Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any redemption, which notice in the case of an optional redemption may be conditional, will be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Registrar. Any notice of redemption may be rescinded at any time on or prior to the date fixed for redemption by the delivery of notice in the manner provided for above.

All official notices of redemption will be dated and state:

(A) the redemption date,

(B) the redemption price,

(C) if fewer than all outstanding Bonds are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(D) any condition to an optional redemption,

(E) that on the redemption date (unless the notice of redemption has been rescinded or the notice of redemption is conditional, in which case the notice will state that the redemption price will become due and payable unless the conditions for redemption set forth therein are not satisfied) the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that unless the City defaults in the payment of the redemption price, interest thereon will cease to accrue from and after that date, and

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

(2) *Effect of Notice; Bonds Due.* Official notice of redemption having been given as aforesaid, unless the notice of redemption is rescinded or the notice of redemption is conditional and the conditions for redemption set forth therein are not satisfied, the Bonds or

portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and on or prior to the redemption date the City will deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds that are to be redeemed on that date. From and after such date, unless the City defaults in the payment of the redemption price, such Bonds or portions of Bonds will cease to bear interest. Upon surrender of such Bonds for redemption in accordance with the notice, such Bonds will be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date are payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there will be prepared for the Registered Owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal. All Bonds that have been redeemed will be canceled and destroyed by the Registrar and may not be reissued.

(3) *Additional Notice.* In addition to the foregoing notice, further notice may be given by the City as set out below, but no defect in such further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder will contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest, if any, borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to Section 19, and to the Underwriter or to its business successor, if any, and to such persons and with such additional information as the Designated Representative may deem appropriate, but such mailings are not a condition precedent to the redemption of Bonds.

(4) *CUSIP Numbers.* Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(5) *Amendment of Notice Provisions.* The foregoing notice provisions of this Section 6, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 7. Revenue Fund; Priority of Payments from Gross Revenue.

(a) *Combined Utility Revenue Fund.* There have heretofore been established in the office of the Chief Financial Officer a water enterprise fund (into which is deposited all revenue received from operation of the City's domestic water supply and distribution system), a sewer enterprise fund (into which is deposited all revenue received from operation of the City's sanitary sewage collection and disposal system), and a stormwater enterprise fund (into which is deposited all revenue received from operation of the City's stormwater drainage system).

Because the three utilities have been combined for borrowing purposes and designated the "System," (i) those three enterprise funds are deemed to constitute the "Combined Utility Revenue Fund" (the "Revenue Fund") for the purposes described herein, and (ii) all revenue of the three enterprise funds is deemed to constitute "Gross Revenue," as defined in Ordinance No. 1260, this ordinance, and the ordinances authorizing any Future Parity Bonds, subject to the exclusion of certain revenue sources as expressly set forth in the definition of "Gross Revenue." Notwithstanding the foregoing, the enterprise funds may nonetheless continue to be accounted for separately by the City, in accordance with applicable State law and accounting procedures.

(b) *Priority of Application of Gross Revenue.* The Revenue Fund shall be held separate and apart from all other funds and accounts of the City, and all Gross Revenue shall be deposited in the Revenue Fund.

(1) So long as the 2007 Bonds remain outstanding, Gross Revenue in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

First, to pay Operating and Maintenance Expenses;

Second, to make payments into the Principal and Interest Account required to meet debt service payments on Parity Bonds;

Third, to make required payments into the Reserve Account;

Fourth, to meet the required debt service on any water and sewer revenue bonds having a lien and charge on Gross Revenue junior and inferior to the lien thereon to pay or secure the payment of Parity Bonds; and

Fifth, to redeem and retire any then outstanding water and sewer revenue bonds or to purchase any or all of those bonds on the open market, or to make necessary betterments and replacements of or repairs, additions or extensions to the System, or for any other lawful City purpose.

(2) From and after the date on which no 2007 Bonds remain outstanding, Gross Revenue in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

First, to pay Operating and Maintenance Expenses;

Second, to make all payments into the Principal and Interest Account required to pay interest on Parity Bonds;

Third, to make all payments into the Principal and Interest Account required to pay principal on Parity Bonds (either at maturity or upon mandatory redemption of term bonds);

Fourth, to make all payments required to be made under any reimbursement agreement (or other equivalent document) in connection with Qualified Insurance or a Qualified

Letter of Credit; provided, however, that if there is not sufficient money to make all payments under multiple reimbursement agreements, payments will be made pro rata;

Fifth, to make required payments into the Reserve Account;

Sixth, to make all payments required to be made into any bond redemption fund or debt service reserve fund or account created to pay or secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the City having a lien on Gross Revenue junior and inferior to the lien thereon to pay or secure the payment of Parity Bonds; and

Seventh, to retire by redemption or purchase any outstanding water and sewer revenue bonds, warrants, or other revenue obligations of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, to make deposits into the Rate Stabilization Account, or for any other lawful City purposes.

(c) *Rate Stabilization Account.* From and after the date on which no 2007 Bonds remain outstanding, the Chief Financial Officer is authorized to establish a Rate Stabilization Account within the Revenue Fund. The City may thereafter make payments into the Rate Stabilization Account from the Revenue Fund at any time. Money in the Rate Stabilization Account may be withdrawn at any time for deposit into the Revenue Fund and used for the purposes for which Gross Revenue may be used. Amounts withdrawn from the Rate Stabilization Account and deposited into the Revenue Fund shall increase Gross Revenue for the period in which they are so withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the period in which they are deposited. Credits to or from the Rate Stabilization Account that occur within 90 days after the end of a fiscal year may be treated as occurring within that fiscal year. Earnings on the Rate Stabilization Account shall be credited to the Revenue Fund.

Section 8. Bond Fund.

(a) *Bond Fund and Accounts Therein.* A special fund of the City known as the “Water and Sewer Revenue Bond Fund, 1998” (the “Bond Fund”), has heretofore been created in the office of the Chief Financial Officer and is hereby continued so long as the Bonds remain outstanding. The purpose of the Bond Fund is to pay and secure the payment of the principal of and interest on all Parity Bonds. Within the Bond Fund are established the Principal and Interest Account and the Reserve Account. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Parity Bonds.

(b) *Payments into Principal and Interest Account.* The City obligates and binds itself to set aside and pay into the Principal and Interest Account out of Net Revenue in the Revenue Fund or any other funds of the City legally available for this purpose:

(1) Each February and August, no later than 20 days prior to each March 1 and September 1 interest payment date for the 2007 Bonds, an amount that, together with other money on deposit therein and available therefor, is sufficient to pay the interest coming due on the outstanding 2007 Bonds on that upcoming interest payment date.

(2) Each August, no later than 20 days prior to each September 1 principal payment date for the 2007 Bonds, an amount that, together with other money on deposit therein and available therefor, is sufficient to pay the principal (either at maturity or by mandatory redemption) due on the outstanding 2007 Bonds on that upcoming principal payment date.

(3) On or prior to each interest payment date for the Bonds and any Future Parity Bonds, an amount that, together with other money on deposit therein and available therefor, is sufficient to pay the interest coming due on the Bonds and any Future Parity Bonds on that interest payment date.

(4) On or prior to each principal payment date for the Bonds and any Future Parity Bonds, an amount that, together with other money on deposit therein and available therefor, is sufficient to pay the principal (either at maturity or by mandatory redemption) due on the Bonds and any Future Parity Bonds on that principal payment date.

Money in the Principal and Interest Account is held for the benefit of the owners of all Parity Bonds then outstanding and is payable equally and ratably and without preference or distinction as between different series, installments or maturities.

(c) *The Reserve Account.*

(1) *General Provisions.* Prior to or upon the issuance of the Bonds, the City will deposit into the Reserve Account funds sufficient to satisfy the Reserve Requirement for the Bonds. The City covenants and agrees that, except as otherwise expressly provided herein, it will thereafter maintain an amount of money and assets in the Reserve Account that will be equal to the Reserve Requirement, as it may be recalculated from time to time based on the amount of Parity Bonds outstanding. Withdrawals from the Reserve Account may be made only as authorized herein.

The City further covenants and agrees that if it issues any Future Parity Bonds, it will provide in the ordinance authorizing the issuance of those Future Parity Bonds that, on the date of their issuance, an amount will be deposited into the Reserve Account (from Parity Bond proceeds or any other source) that, together with the amount already on deposit in the Reserve Account, will be equal to the Reserve Requirement.

Whenever there is a sufficient amount in the Principal and Interest Account and the Reserve Account to pay the principal of, premium, if any, and interest on all Parity Bonds then outstanding, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. Money in the Reserve Account may also be withdrawn to redeem and retire, by payment of principal, premium, if any, and the interest due to such date of redemption, any outstanding Parity Bonds so long as the money remaining on deposit in the Reserve Account is at least equal to the Reserve Requirement for the remaining outstanding Parity Bonds.

(2) *Withdrawals to Pay Debt Service.* If a deficiency occurs in the Principal and Interest Account to meet any maturing installment of principal of or interest on Parity Bonds, the deficiency will be made up from the Reserve Account by the withdrawal of cash therefrom

for that purpose and by the sale or redemption of obligations held in the Reserve Account, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the City shall then draw from any Surety Bond or Qualified Letter of Credit or Qualified Insurance in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Surety Bond, Qualified Letter of Credit or such Qualified Insurance provides. If more than one Surety Bond, Qualified Insurance, or Letter of Credit is available, draws shall be made ratably thereon to make up the deficiency.

So long as any 2007 Bonds remain outstanding, any deficiency created in the Reserve Account by reason of a withdrawal to pay debt service shall be made up from ULID Assessments, if any, and from Net Revenue available after making necessary provision for the payments required to be made by paragraphs First and Second in Section 7(b)(1) of this ordinance.

From and after the date on which no 2007 Bonds remain outstanding, any deficiency created in the Reserve Account by reason of a withdrawal to pay debt service shall be made up from ULID Assessments, if any, and from Net Revenue available after making necessary provision for the payments required to be made by paragraphs First through Fourth in Section 7(b)(2) of this ordinance.

(d) *Use of Liquidity Instruments.* Notwithstanding any provisions of subsection (c) that may be to the contrary, the Reserve Requirement may be provided for, and cash and other assets in the Reserve Account may accordingly be reduced, as follows:

(1) So long as the 2007 Bonds remain outstanding, the City may satisfy all or a portion of the Reserve Requirement by obtaining one or more Surety Bonds. If the City obtains one or more Surety Bonds for this purpose, the City covenants and agrees to maintain an amount in the Reserve Account at least equal to the difference between the Reserve Requirement and the aggregate limit on the amounts payable under such Surety Bonds to pay debt service on any Parity Bonds (the "Surety Bond Limit"). The amount of this difference at any time and from time to time is hereinafter referred to as the "Adjusted Reserve Requirement." If the Surety Bond Limit is expected to be reduced because a Surety Bond expires on a fixed date or terminates at the end of a fixed term, the City hereby covenants and agrees to replenish the Reserve Account to an amount equal to the Reserve Requirement or the applicable Adjusted Reserve Requirement no later than that date of expiration or termination.

If the Surety Bond Limit is reduced by reason of payment made under a Surety Bond to the Registrar to pay any principal of or interest on or any Parity Bonds, the City hereby covenants and agrees to make payments to the provider of that Surety Bond under the terms of a reimbursement agreement effective to reinstate the maximum Surety Bond Limit; and to the extent that there is no applicable reimbursement agreement, the City covenants and agrees to deposit in the Reserve Account from money first available therefor pursuant to Section 7(b) of this ordinance such amounts as are necessary to provide a balance therein equal to the then applicable Adjusted Reserve Requirement.

(2) From and after the date on which no 2007 Bonds remain outstanding, the City may satisfy the Reserve Requirement by obtaining Qualified Insurance or a Qualified Letter of Credit for all or a portion of the amounts required to be deposited in the Reserve Account. In computing the amount on hand in the Reserve Account, Qualified Insurance and a Qualified Letter of Credit shall be valued at the amount available to be drawn thereon. Any Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years' notice to the City. In the event of any cancellation, the Reserve Account shall be funded in accordance with the provisions for restoring a deficiency described in subsection 8(c)(2).

If the City elects to meet the Reserve Requirement by using a Qualified Letter of Credit or Qualified Insurance, the City may contract with the provider of the Qualified Letter of Credit or Qualified Insurance that the City's reimbursement obligation, if any, to the provider will be made with the priority of payment described in paragraph Fourth in Section 7(b)(2).

(d) *Application and Investment of Money in the Bond Fund.* All money in the Bond Fund may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or may be invested in Government Obligations or other legal investments permitted to the City maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Account). In no event shall any money in the Bond Fund or any other money reasonably expected to be used to pay principal of or interest on the Bonds be invested at a yield that would cause the Bonds to be arbitrage bonds within the meaning of Code.

Income from the investments in the Principal and Interest Account shall be retained in that account. Income from investments in the Reserve Account shall be retained in that account until the amount therein equals the Reserve Requirement, and any excess shall be transferred to the Principal and Interest Account and used to pay principal of and interest on Parity Bonds. The City may also transfer out of the Reserve Account any money required in order to prevent any Parity Bonds from becoming "arbitrage bonds" under the Code.

(e) *Lien of Bond Fund.* The Gross Revenue and all ULID Assessments are hereby pledged for the payment of all Parity Bonds. This pledge constitutes a lien and charge upon Gross Revenue prior and superior to any other liens and charges whatsoever, subject only to Operating and Maintenance Expenses.

(f) *Sufficiency of Revenues.* The Council finds and determines that in fixing the amounts to be paid into the Bond Fund and the accounts therein, it has exercised due regard for Operating and Maintenance Expenses and the existing debt service requirements of the System and that it has not obligated the City to set aside and pay into the Bond Fund a greater amount of the Gross Revenue than in its judgment will be available over and above such Operating and Maintenance Expenses and debt service requirements.

Section 9. Defeasance. If money or Government Obligations, maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds in accordance with their terms,

are set aside in a special account of the City to effect such redemption and retirement, and such money and the principal of and interest on such Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Principal and Interest Account for the payment of the principal of and interest on the Bonds so provided for, and those Bonds will cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and those Bonds will be deemed not to be outstanding hereunder.

Upon the defeasance of any Bonds, the Registrar will provide notice of the defeasance to Registered Owners and to each party entitled to receive notice in accordance with Section 19 of this ordinance.

Section 10. General Covenants.

(a) *Rate Covenant.*

(1) So long as the 2007 Bonds remain outstanding, the City will establish, maintain, revise as necessary, and collect rates and charges for water supplied and sanitary sewage disposal and stormwater drainage service furnished sufficient to produce Net Revenue in each calendar year that, together with other revenue available therefor, will be at least equal to 1.25 times the Annual Debt Service in that calendar year, except that during the installment payment period of any ULID Assessments, the Net Revenue produced in any such year, together with ULID Assessments collected in that calendar year and other revenue available therefor, will be at least equal to 1.10 times Annual Debt Service.

(2) From and after the date on which no 2007 Bonds remain outstanding, the City will establish, maintain, revise as necessary, and collect rates and charges for water supplied and sanitary sewage and disposal and stormwater drainage service furnished sufficient to produce Net Revenue in each calendar year that will be at least equal to 1.25 times the Annual Debt Service on all then-outstanding Parity Bonds that are not Assessment Bonds. In addition, in each calendar year in which any Assessment Bonds are outstanding, ULID Assessments (plus Net Revenue available after satisfying the requirement of the preceding sentence) must equal at least 1.0 times the Annual Debt Service in that year on all Parity Bonds that are Assessment Bonds.

(b) *Maintenance of the System.* The City will at all times maintain and keep the System in good repair, working order and condition, and also will at all times operate the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *Collecting ULID Assessments.* The City will collect promptly all ULID Assessments. ULID Assessments may be used to pay the principal or interest on any Parity Bonds without those ULID Assessments being particularly allocated to the payment of principal of or interest on any particular series of Parity Bonds.

(d) *Disposition or Encumbrance of System Assets.* The City may sell, transfer or otherwise encumber or dispose of any or all of the works, plant, properties, facilities, or other

part of the System or any real or personal property comprising a part of the System, only consistent with one or more of the following:

(1) The City in its discretion may carry out such a sale, transfer or disposition (each, as used in this subsection, a "transfer") if the facilities or property transferred are not material to the operation of the System, or have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System or are no longer necessary, material or useful to the operation of the System; or

(2) The City in its discretion may carry out such a transfer if the aggregate depreciated cost value of the facilities or property being transferred under this paragraph (2) in any fiscal year comprises no more than 3% of the total assets of the System; or

(3) The City in its discretion may carry out such a transfer if the City receives from the transferee an amount equal to the greater of the following:

(A) An amount that will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Gross Revenue from the portion of the System sold or disposed of for the preceding year bears to the Gross Revenue for that year; or

(B) An amount that will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Net Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue for that year; or

(C) An amount equal to the fair market value of the portion of the System transferred. As used herein, "fair market value" means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the willing buyer and willing seller each acting prudently and knowledgeably and assuming that the price is not affected by coercion or undue stimulus.

The proceeds of any transfer under this paragraph (3) must be used first to promptly redeem, or irrevocably set aside for the redemption of, Parity Bonds, and, if any proceeds remain, second, to provide for part of the cost of additions to and betterments and extensions of the System. In no event shall proceeds of any transfer under this section be treated as Gross Revenue for purposes of this ordinance.

(e) *Books and Records.* The City will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System.

(f) *No Free Service.* The City will not furnish any service of the System to any customer whatsoever free of charge and will take prompt legal action to enforce collection of all delinquent accounts.

(g) *Insurance.* The City will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the City as under good practice are ordinarily carried on such buildings, equipment, facilities and properties by utilities engaged in the operation of water and sewer systems to the full insurable value thereof, and also will carry adequate public liability insurance at all times. The premiums on such insurance policies are declared to be a normal part of Operating and Maintenance Expenses. From and after the date on which no 2007 Bonds remain outstanding, the City may satisfy all or a portion of the requirements of this paragraph by a program of self-insurance.

(h) *Operating and Maintenance Expenses.* The City will pay all Operating and Maintenance Expenses and otherwise meet the obligations of the City as herein set forth.

Section 11. Tax Covenants. .

(a) *General.* The City covenants not to take any action, or knowingly to omit to take any action within its control, that if taken or omitted would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes.

(b) *Tax Certificate.* Upon the issuance of the Bonds, the Chief Financial Officer is authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify to various facts and representations concerning the Bonds, based on the facts and estimates known or reasonably expected on the date of their issuance, and make certain covenants with respect to the Bonds as may be necessary or desirable to obtain or maintain the benefits conferred under the Code relating to tax-exempt bonds. The City covenants that it will comply with the Tax Certificate unless it receives advice from nationally recognized bond counsel or the Internal Revenue Service that certain provisions have been amended or no longer apply to the Bonds.

(c) *Arbitrage Covenant.* The City covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bonds or any other funds of the City that may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code that will cause any Bond to be an "arbitrage bond" within the meaning of that term in Section 148 of the Code. The City will comply with the requirements of Section 148 of the Code throughout the term of the Bonds.

(d) *No Hedge Bonds.* The City reasonably expects that at least 85% of the proceeds of the Bonds will be spent within three years of the date the Bonds are issued to carry out the governmental purposes of the Bonds.

(e) *Not Qualified Tax-Exempt Obligations.* The City is not designating the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Section 12. Additional Borrowing.

(a) *No Senior Lien Bonds.* The City hereby covenants and agrees with the owners of the Bonds that the City (i) will not create any special fund or funds for the payment of the principal of and interest on any other revenue bonds that will have any priority over the payments

required by this ordinance to be made out of Gross Revenue and ULID Assessments, and (ii) will issue Parity Bonds only as permitted in this Section 12.

(b) *Future Parity Bonds.* The City reserves the right to issue Future Parity Bonds for the purpose of:

- Providing funds to acquire, construct, reconstruct, install or replace any equipment, facilities, additions, betterments or other capital improvements to the System pursuant to an adopted plan or plans of additions and betterments to the System, or
- Refunding at or prior to their maturity, any part or all of any outstanding revenue bond anticipation notes, or revenue bonds, or other obligations payable out of the Gross Revenue, or
- Any other purpose permitted by law,

upon compliance with the following conditions:

(1) At the time of the issuance of any Future Parity Bonds, there is no deficiency in the Bond Fund, the Principal and Interest Account, or the Reserve Account.

(2) The principal of and interest on any Parity Bonds must be payable out of the Bond Fund and, upon issuance of such Parity Bonds, the Reserve Account shall be funded, from Parity Bond proceeds or otherwise, at the Reserve Requirement.

(3) If any of the Future Parity Bonds are to be issued as term bonds, the ordinance authorizing their issuance must provide for a schedule of mandatory sinking fund redemption payments to be made into the Principal and Interest Account sufficient to amortize the principal of the term bonds on or before the maturity date thereof.

(4) The ordinance authorizing the issuance of the Future Parity Bonds must provide that ULID Assessments levied in any ULIDs created to pay part of the cost of improvements to the System for which such Parity Bonds are issued will be paid into the Bond Fund.

(5) Prior to the delivery of any Future Parity Bonds, the City must have on file either:

(A) a certificate of the Chief Financial Officer demonstrating that during any 12 consecutive calendar months out of the immediately preceding 36 calendar months, Net Revenue will be at least equal to 1.25 times the maximum Annual Debt Service on all outstanding Parity Bonds plus the Future Parity Bonds proposed to be issued; or

(B) a certificate of an Independent Utility Consultant showing that, in the consultant's professional opinion, the "Adjusted Net Revenue" and the "Estimated Assessment Income" (each determined as described in this Section 12(b)(5)(B)) for each calendar

year after the issuance of the Future Parity Bonds will equal at least 1.25 times the "Future Average Annual Debt Service" (determined as described in this Section 12(b)(5)(B)).

The term "Future Annual Debt Service" as used in this section means the amount required to be paid in a calendar year for (i) interest on all Parity Bonds then outstanding including the proposed Future Parity Bonds plus (ii) the principal of all Parity Bonds then outstanding including the proposed Future Parity Bonds. The term "Future Average Annual Debt Service" as used in this Section 12(b)(5)(B) means the total Future Annual Debt Service for the calendar years in which all Parity Bonds including the proposed Future Parity Bonds are outstanding divided by the number of such years.

The term "Adjusted Net Revenue" as used in this Section 12(b)(5)(B) means the Net Revenue for a period of any 12 consecutive months out of the 18 months immediately preceding the date of delivery of the proposed Future Parity Bonds as adjusted by the Independent Utility Consultant to take into consideration the following changes in Net Revenue estimated to occur under the following conditions for each year after such delivery for so long as any Parity Bonds, including the proposed Future Parity Bonds will be outstanding:

- The additional Net Revenue that would have been received if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 18-month period had been in force during the full 12-month period;
- The additional Net Revenue that would have been received if any facility of the System that became fully operational after the beginning of such 12-month period had been so operating for the entire period;
- The additional Net Revenue estimated by the Independent Utility Consultant to be received as a result of any additions, betterments and improvements to and extensions of any facilities of the System that are (i) under construction at the time of the certificate or (ii) will be constructed from the proceeds of the proposed Future Parity Bonds;
- The additional Net Revenue estimated by such Independent Utility Consultant to be received if any customers added to the System during such 12-month period had been customers for the entire period; and
- The additional Net Revenue estimated to be received from anticipated growth in customers (not to exceed 2% per year) for a period of not more than ten years after delivery of the proposed Future Parity Bonds.

The "Estimated Assessment Income" for each calendar year will be determined as follows:

- by deducting from the principal amount of unpaid ULID Assessments levied by the City in each applicable ULID and payable into the Bond Fund for estimated nonpayment an amount equal to 5% of such unpaid principal;
- by dividing the principal balance remaining after such deduction by the number of years in which installments on each such assessment roll may be paid without becoming delinquent; and

- by adding to the amount found for each year the interest due and payable on such installments.

The Independent Utility Consultant may rely upon, and his certificate must have attached to it, financial statements of the System showing income and expenses for the period upon which the certificate is based. The certificate of the Independent Utility Consultant will be conclusive and the only evidence required to show compliance with the provisions and requirements of this Section 12(b)(5).

Notwithstanding the foregoing requirement, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of the then outstanding Parity Bonds and the issuance of those refunding Future Parity Bonds will result in a debt service savings and does not require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on such refunding Parity Bonds over and above the amount required in that year for the principal of and interest on the Parity Bonds being refunded thereby, the condition stated in this Section 12(b)(5) need not be met.

(c) *Junior Lien Obligations.* Nothing in this ordinance will prevent the City from (i) issuing revenue bonds or other obligations that are a lien and charge on the Gross Revenue junior or inferior to the payments required to be made out of Gross Revenue into the Bond Fund and Accounts therein to pay and secure the payment of any outstanding Parity Bonds, and (ii) securing such junior lien revenue bonds by pledge of assessments levied in one or more ULIDS that are created to construct the improvements to be paid for out of the proceeds of such junior lien revenue bonds. Payments to be made under junior lien obligations must not be subject to acceleration.

(d) *Refunding Obligations.* Nothing herein contained shall prevent the City from issuing revenue bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

Section 13. Contract Resource Obligations. From and after the date on which no 2007 Bonds remain outstanding, the City may enter into one or more contracts or other obligations for the acquisition, from facilities to be constructed or improved by the use of payments to be made by the City under such contracts or other obligations, of water supply, sewer service, water or sewer treatment or disposal, or other goods or services relating to the System.

The City may determine that such contract or other obligation is a Contract Resource Obligation and may provide that all payments under that Contract Resource Obligation (including payments prior to the time that water supply, sewer service, water or sewer treatment or disposal, or other goods or services relating to the System, are being provided, or during a suspension or after termination of supply or service) shall be Operating and Maintenance Expenses if the following requirements are met at the time the Contract Resource Obligation is entered into:

(1) The City is not in default with respect to any of its obligations under this ordinance.

- (2) The City has on file a certificate of an Independent Utility Consultant stating that:
- the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the water supply, sewer service, water or sewage treatment or disposal, or other goods or services rendered;
 - the source of any new supply and any facilities to be constructed to provide the water supply, sewer service, water or sewage treatment or disposal, or other goods or services, is sound, the facilities are technically and economically feasible in accordance with prudent utility practice, and the facilities are likely to provide supply or other service no later than a date set forth in the Consultant's certification; and
 - the Adjusted Net Revenue (as that term is defined in Section 12(b)(5)(B) and further adjusted by the Consultant's estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five fiscal years following the year in which the Contract Resource Obligation is incurred equals at least 1.25 times the Annual Debt Service for each of those five fiscal years.

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

Nothing in this Section 13 shall be deemed to prevent the City from entering into other agreements for the acquisition of water supply, sewer service, water or sewage treatment or disposal, or other goods or services from existing facilities and from treating those payments as Operating and Maintenance Expenses so long as such service is actually being supplied. Nothing in this Section 13 shall be deemed to prevent the City from entering into other agreements for the acquisition of water supply, sewer service, water or sewage treatment or disposal, or other goods or services from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Net Revenue subordinate to that of the Parity Bonds, except that such payments must not be subject to acceleration.

Section 14. Separate Utility Systems. The City may at any time create, acquire, construct, finance, own and operate one or more systems for water supply, sewer service, water or sewer treatment or disposal, or other utility service, which systems would be separate from and in addition to the System. The revenue of any such separate system, and the assessments from any ULID created solely to finance improvements to such a separate system, are not to be included in Gross Revenue and may be pledged to the payment of revenue obligations issued for any purpose relating to a separate system. Neither the Gross Revenue nor the Net Revenue may be pledged to the payment of any obligations of such a separate system, except that the Net Revenue may be pledged on a basis junior and subordinate to the lien thereon of the Parity Bonds so long as the payment of such obligations is not subject to acceleration.

Section 15. Form and Execution of the Bonds. The Bonds will be in substantially the form set forth on Exhibit A of this ordinance. The Bonds must be signed on behalf of the City by

the manual or facsimile signature of the Mayor, attested by the manual or facsimile signature of the City Clerk, and the seal of the City may be impressed or imprinted thereon.

Only a Bond that bears thereon a Certificate of Authentication in the form set forth in Exhibit A hereto, manually executed by the Registrar, will be valid or obligatory for any purpose or entitled to the benefits of this ordinance. The executed Certificate of Authentication is conclusive evidence that the Bond so authenticated has been duly executed, authenticated, registered, and delivered hereunder and is entitled to the benefits of this ordinance.

If any officer of the City who has signed, attested, authenticated, registered or sealed a Bond ceases to hold that office before the Bond so signed, attested, authenticated, registered or sealed has been actually issued and delivered, the Bond will be valid nevertheless and may be issued by the City with the same effect as though the person who had signed, attested, authenticated, registered or sealed that Bond had not ceased to hold that office. Any Bond may also be signed, attested, authenticated, registered or sealed on behalf of the City by a person who, at the actual date of execution of the Bond is a proper officer of the City although at the original date of the Bond that person did not hold that office.

Section 16. Lost or Destroyed Bonds. If a Bond is lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond of like maturity, amount, date, and tenor to the Registered Owner upon such owner's paying the expenses and charges of the City in connection with preparation and authentication of the replacement Bond and upon his or her filing with the Registrar evidence satisfactory to the Registrar that the Bond was actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City with indemnity satisfactory to the Registrar.

Section 17. Application of Bond Proceeds. A special fund of the City known as the "Public Works Building Construction Fund 2016" (the "Project Fund") is hereby authorized to be created in the office of the Chief Financial Officer. At the time of delivery of the Bonds, proceeds of the Bonds shall be deposited as follows:

(a) The accrued interest, if any, to the date of delivery shall be deposited in the Principal and Interest Account and used to pay a portion of interest on the Bonds on the first interest payment date;

(b) An amount shall be deposited in the Reserve Account that is sufficient, with other funds on deposit therein, to satisfy the Reserve Requirement for the Bonds; and

(c) The remaining proceeds of the Bonds shall be deposited in the Project Fund and used to pay costs of the Project and costs of issuance of the Bonds.

Money remaining in the Project Fund after all such costs have been paid or reimbursed shall be applied to other capital improvements of the System or used to pay debt service on Parity Bonds or retire Parity Bonds. Money in the Project Fund may be invested as permitted by law. All interest earned and profits derived from such investments shall be retained in and become a part of the Project Fund.

Section 18. Sale of the Bonds. The Bonds will be sold by negotiated sale to the Underwriter on terms and conditions to be established as provided in this ordinance and set forth in a bond purchase agreement between the City and the Underwriter (the "Purchase Contract"). The Council has been advised that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Council. The Council has determined that it would be in the best interest of the City to delegate to the Designated Representatives for a limited time the authority to approve the aggregate principal amount and structure of the Bonds, the interest rates, maturity schedule, redemption provisions, and certain other terms for the Bonds, within the following parameters:

- (a) the aggregate principal amount of the Bonds does not exceed \$16,000,000,
- (b) the final maturity date for the Bonds is no later than 26 years following the date of issuance of the Bonds,
- (c) the Bonds are subject to optional redemption at a price of par as set forth in the Purchase Contract on a date no later than 10 ½ years following the date of issuance of the Bonds,
- (d) the Bonds are sold (in the aggregate) at a price not less than 95% and not more than 125%,
- (e) the true interest cost for the Bonds (in the aggregate) does not exceed 4.0%, and
- (f) the Bonds conform to all other terms of this ordinance.

Subject to these terms and conditions, a Designated Representative is hereby authorized to execute the Purchase Contract and deliver it to the Underwriter. The signature of one Designated Representative is sufficient to bind the City. Following the execution of the Purchase Contract, a Designated Representative will provide a report to the Council, describing the final terms of the Bonds approved pursuant to the authority delegated in this ordinance. The report will be provided to the Council electronically on the date of the Bond sale and a public report provided to the Council at the next regularly scheduled meeting.

The authority granted to the Designated Representatives by this Section 18 expires on December 31, 2016. If a Purchase Contract for the Bonds has not been executed on or prior to December 31, 2016, the authorization for the issuance of the Bonds is rescinded, and the Bonds authorized under this ordinance may not be issued nor their sale approved unless the Bonds are re authorized by ordinance of the Council. The ordinance re authorizing the issuance and sale of the Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a purchase contract or establishing terms and conditions for the authority delegated under this Section 18.

The Designated Representatives are hereby authorized to review and approve on behalf of the City the preliminary and final official statements relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them. A Designated Representative is hereby further authorized to deem final the preliminary official statement for purposes of Rule 15c2-12.

The Designated Representative and other City officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale of the Bonds. In furtherance of the foregoing, the Designated Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including underwriter's discount, the fees and expenses specified in the Purchase Contract, including fees and expenses of the Underwriter and other retained services, including bond counsel, rating agencies, fiscal agency, and other expenses customarily incurred in connection with issuance and sale of bonds.

Section 19. Continuing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the City's written undertaking for the benefit of the holders of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to the MSRB the following annual financial information and operating data (collectively, the "Annual Financial Information") for each prior fiscal year, commencing with the fiscal year ending December 31, 2016:

- (1) Annual financial statements prepared in accordance with the generally accepted accounting principles applicable to governmental units, as such principles may be changed from time to time and as permitted by State law (the "Annual Financial Statements");
- (2) A statement of authorized, issued and outstanding bonds secured by the Net Revenue;
- (3) Debt service coverage ratios; and
- (4) General customer statistics for the System.

The Annual Financial Information described above will be provided on or before the last day of the ninth month after the end of the City's fiscal year. The City may adjust that date if the City changes its fiscal year by providing written notice of the change of fiscal year and the new reporting date to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not submitted as part of the Annual Financial Information, then when and if available, the City will provide its audited Annual Financial Statements, prepared in accordance with regulations prescribed by the Washington State Auditor, to the MSRB.

(c) *Listed Events.* The City agrees to provide notice of the following events not in excess of ten business days after the occurrence of the event:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;

- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Bond calls, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) *Notice of Failure to Provide Annual Financial Data.* The City agrees to provide or cause to be provided, in a timely manner to the MSRB, notice of its failure to provide the Annual Financial Information described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) *EMMA; Format for Filings with the MSRB.* Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The City's obligations to provide the Annual Financial Information and notices of listed events will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This section, or any provision hereof, will be null and void if the City (i) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the cancellation of this section. Notwithstanding any other provision of this ordinance, the City may amend this Section 13 and any provision of this Section 13 may be waived with an approving opinion of nationally recognized bond counsel.

In the event of any amendment of or waiver of a provision of this Section 13, the City will describe the amendment in the next annual report and include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case

of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the change will be given in the same manner as for a listed event under subsection (c), and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if practical, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Bond Owner's Remedies.* The right of an owner or Beneficial Owner of Bonds to enforce the provisions of this section is limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking will not be an event of default with respect to the Bonds under this ordinance.

Section 20. Amendatory and Supplemental Ordinances. After the Bonds are issued, this ordinance may be amended only in accordance with and subject to the provisions of this Section. Ordinances authorizing the issues of Future Parity Bonds are not deemed to be supplemental or amendatory ordinances as described in this Section.

(a) *Amendments Not Requiring Consent.* The City may from time to time and at any time, without the consent of or notice to the Registered Owners of the Bonds at the time outstanding, pass amendatory ordinances as set forth below. Before the City passes any amendatory ordinance pursuant to this subsection (a), the City must receive an opinion of nationally recognized bond counsel to the effect that (A) the amendatory ordinance is authorized or permitted by this ordinance, (B) upon its effective date it will be valid and binding upon the City in accordance with its terms, and (C) it will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any outstanding Bonds.

(1) to cure any formal defect, omission, inconsistency or ambiguity in this ordinance in a manner not adverse to the Registered Owner of any Bond;

(2) to impose upon the Registrar (with its consent) for the benefit of the Registered Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties that may lawfully be granted, conferred or imposed and that are not contrary to or inconsistent with this ordinance as theretofore in effect;

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

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

(5) to authorize different denominations of the Bonds and to make correlative amendments and modifications to this ordinance regarding exchangeability of outstanding Bonds

of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; and

(6) to modify, alter, amend or supplement this ordinance in any other respect that is not materially adverse to the Registered Owners of the Bonds at the time outstanding, and that does not involve a change described in subsections (b) or (c) of this Section.

(b) *Amendments Requiring Supermajority Consent.* From and after the date on which no 2007 Bonds remain outstanding, in addition to any amendatory ordinance that may be passed pursuant to subsection (a) above and subject to the terms and conditions contained in subsection (c) below, the registered owners of not less than 60% in aggregate principal amount of all Parity Bonds then outstanding will have the right from time to time to consent to and approve the passage by the City of any amendatory ordinance deemed necessary or desirable by the Council for the purpose of amending or supplementing, in any particular, any of the terms or provisions contained in this ordinance (excluding changes described in subsection (c) of this Section), upon compliance with the following:

(1) Prior to passage of the proposed amendatory ordinance, the City will cause notice of the proposed amendatory ordinance to be given by first class United States mail to all registered owners of the Parity Bonds then outstanding, to any bond insurer providing a bond insurance policy then in effect with respect to an issue of Parity Bonds, to the extent required under such policy, and to each Rating Agency then maintaining a rating on any Parity Bonds at the request of the City. The notice must briefly summarize the proposed amendatory ordinance and state that a copy is available for review on the City's website or may be obtained by request to the City Clerk.

(2) The ordinance may be passed in substantially the form summarized in such notice and go into effect upon receipt by the City of (i) the consents, in writing, of the required percentage of registered owners of the Parity Bonds, and (ii) an opinion of nationally recognized bond counsel to the effect that (A) the amendatory ordinance is authorized or permitted by this ordinance, (B) upon its effective date it will be valid and binding upon the City in accordance with its terms, and (C) it will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any outstanding Parity Bonds issued as tax-exempt bonds.

(3) If registered owners of not less than 60% of Parity Bonds then outstanding have consented to the passage of the amendatory ordinance as herein provided, no owner of the Bonds shall have any right to object to the passage of the amendatory ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City from passing the same or from taking any action pursuant thereto.

(c) *Amendments Requiring Unanimous Consent.* Nothing contained in this Section shall permit, or be construed as permitting, except upon the written consent of all registered owners of the Parity Bonds then outstanding:

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

(2) a preference or priority of any Parity Bond over any other Parity Bond; or

(3) a reduction in the aforesaid percentage of owners of Parity Bonds required to approve any such amendatory or supplemental ordinance.

(d) *Effect of Amendment.* Upon the passage of any amendatory ordinance in accordance with the provisions of this Section, this ordinance shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City and all Registered Owners of Bonds then outstanding shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such amendments.

Section 21. General Authorization; Prior Acts. The Mayor, City Administrator, Chief Financial Officer, City Clerk, City Attorney, and any other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 22. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City is declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, will be null and void and will be deemed separable from the remaining covenants and agreements of this ordinance and will in no way affect the validity of other provisions of this ordinance or of the Bonds.

Section 23. Effective Date. This ordinance becomes effective five days from and after its passage and publication as provided by law.

PASSED by the City Council of the City of Bonney Lake, Washington, on September 6, 2016.

CITY OF BONNEY LAKE, WASHINGTON

By  _____
Neil Johnson, Jr., Mayor

AUTHENTICATED:



Harwood T. Edvalson, MMC, City Clerk

Passed: 9/6/2016
Valid: 9/6/2016
Published: 9/14/2016
Effective Date: 9/19/2016
This Ordinance totals 39 page(s)

AB16-100

EXHIBIT A

Form of Bonds

NO. _____

\$(PAMT)

UNITED STATES OF AMERICA

STATE OF WASHINGTON

CITY OF BONNEY LAKE
WATER AND SEWER REVENUE BOND, 2016

INTEREST RATE:

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

THE CITY OF BONNEY LAKE, WASHINGTON (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from the date hereof or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on the first days of each June and December, commencing on _____ 1, 20__.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC. The fiscal agent of the State of Washington is acting as the registrar, authenticating agent and paying agent for the bonds of this issue (the "Registrar").

This bond is one of the City's Water and Sewer Revenue Bonds, 2016, issued in the aggregate principal amount of \$_____ (the "Bonds"), pursuant to Ordinance No. _____ (the "Bond Ordinance"), passed by the City Council on _____, 2016. The Bonds are issued to finance the cost of acquiring, constructing and equipping facilities for the water, sewer and stormwater system of the City (the "System"). Capitalized terms used in this bond and not otherwise defined have the meanings given them in the Bond Ordinance.

The Bonds are limited obligations of the City, payable solely from the special fund of the City known as the Water and Sewer Revenue Bond Fund, 1998 (the "Bond Fund"). The Bonds are not general obligations, and neither the full faith and credit nor the taxing power of the City or the State of Washington or any subdivision thereof is pledged to payment of the Bonds.

The City has pledged and bound itself to set aside from Gross Revenue and to pay into the Bond Fund and the Accounts therein, the various amounts required by the Bond Ordinance to be paid into and maintained in said Fund and Accounts, all within the times provided by the Bond Ordinance. The City has further pledged and bound itself to pay into the Revenue Fund as collected, all Gross Revenue.

The amounts so pledged to be paid out of the Revenue Fund into the Bond Fund and Accounts therein are hereby declared to be a prior lien and charge upon money in the Revenue Fund superior to all other charges of any kind or nature except Operating and Maintenance Expenses and equal in rank to the lien and charge on the money in the Bond Fund to pay and secure the payment of the 2007 Bonds and any Future Parity Bonds.

The pledge of Gross Revenue for payment of principal of and interest on this bond may be discharged prior to maturity of this bond by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

The Bonds are not "private activity bonds" as that term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon has manually signed by the Registrar.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and the ordinances and other proceedings of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed, and that this bond does not exceed any Constitutional or statutory limitations.

IN WITNESS WHEREOF, the City of Bonney Lake, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Clerk, and the seal of the City to be imprinted or impressed hereon, as of this _____ day of _____, 2016.

CITY OF BONNEY LAKE,
WASHINGTON

By _____ /s/
Neil Johnson, Jr., Mayor

[SEAL]

AUTHENTICATED:

/s/

Harwood T. Edvalson, MMC, City Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This is one of the Water and Sewer Revenue Bonds, 20__, of the City of Bonney Lake, Washington, dated _____, 20__, as described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENT,
Registrar

By _____
Authorized Signer

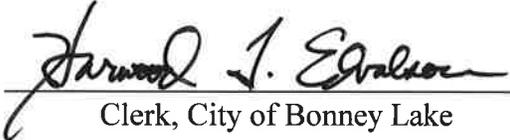
CERTIFICATE

I, the undersigned, duly chosen, qualified and acting Clerk of the City of Bonney Lake, Washington (the "City") and keeper of the records of the Council, DO HEREBY CERTIFY:

1. That the attached is a true and correct copy of Ordinance No. 1554 of the City (the "Ordinance"), as finally passed at a regular meeting of the Council held on September 6, 2016, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum of the Council was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of September, 2016.


Clerk, City of Bonney Lake