

CITY OF KIRKLAND, WASHINGTON

ORDINANCE NO. 2191

AN ORDINANCE of the City of Kirkland, Washington, providing for the issuance of \$610,000.00 par value of its "Water and Sewer Revenue Refunding Bonds, 1972," for the purpose of providing funds to redeem \$610,000.00 par value of its outstanding "Water and Sewer Revenue Bonds, 1971"; fixing the date, form, denomination, maturities, interest rate, terms and covenants of such refunding bonds; creating a special fund to provide for the payment of such refunding bonds and for the refunding operation; providing for and authorizing the purchase of certain direct obligations of the United States of America out of the proceeds of the sale of such refunding bonds and for the use and application of the moneys to be derived from such investment; providing for the redemption on January 1, 1987, of the then outstanding "Water and Sewer Revenue Bonds, 1971"; and providing for the sale and delivery of the refunding bonds to Seattle-Northwest Securities Corporation of Seattle, Washington.

WHEREAS, the City of Kirkland heretofore combined its municipal water system and system of sewerage, including all additions thereto and betterments and extensions thereof at any time made, pursuant to RCW 35.67.320, by Ordinance No. 576 of the City, passed and approved July 18, 1949, and such combined systems, including the separate waterworks system and separate system of sewerage of the former City of Houghton, Washington, which has now been consolidated with the City of Kirkland, if the same shall hereafter be combined with and made a part of the waterworks utility of the City, shall hereinafter be referred to as the "waterworks utility of the City"; and

WHEREAS, pursuant to the provisions of Ordinance No. 630, passed September 2, 1952, the City of Kirkland heretofore issued its "Water and Sewer Revenue Bonds, 1952," dated September 1, 1952, to carry out a system or plan of additions to and betterments and extensions of the waterworks utility of the City, and by Section 7 of said Ordinance No. 630, the City reserved the right to issue additional revenue bonds on a parity of lien with said "Water and Sewer Revenue Bonds, 1952," if certain conditions specified therein were complied with at the time of issuance of such parity bonds; and

WHEREAS, the City thereafter issued on a parity of lien with said "Water and Sewer Revenue Bonds, 1952," pursuant to the provisions of Section 7 of said Ordinance No. 630, its "Water and Sewer Revenue Bonds, 1953," dated May 1, 1953, its "Water and Sewer Revenue Bonds, 1955," dated July 1, 1955, its "Water and Sewer Revenue Bonds, 1960," dated April 1, 1960, its "Water and Sewer Revenue Bonds, 1968," dated June 1, 1968, its "Water and Sewer Revenue Bonds, 1970," dated September 1, 1970, and its "Water and Sewer Revenue Bonds, 1971," dated July 1, 1971, the charge or lien upon the gross revenues of the waterworks utility of the City for said bonds being junior and inferior to the prior charge or lien upon such gross revenues for the outstanding "Water and Sewer Revenue Bonds, Series A," dated September 1, 1949, and the outstanding "Water and Sewer Revenue Bonds, Series B," dated July 1, 1950; and

WHEREAS, said "Water and Sewer Revenue Bonds, Series A," and "Water and Sewer Revenue Bonds, 1952," have now been paid and redeemed; and

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WHEREAS, by Section 10 of Ordinance No. 2156, passed by the City Council and approved by the Mayor on June 7, 1971, pertaining to the outstanding "Water and Sewer Revenue Bonds, 1971," the provisions of Section 7 of Ordinance No. 630 pertaining to the conditions under which parity bonds may be issued were superseded, and the City reserved the right to issue additional parity bonds only if compliance with the conditions set forth in Section 10 of Ordinance No. 2156 are met at the time of the issuance of such parity bonds; and

WHEREAS, as provided in Ordinance No. 2156 and in the "Water and Sewer Revenue Bonds, 1971," the City reserved the right to redeem such outstanding bonds in inverse numerical order on July 1, 1986, or on any semiannual interest payment date thereafter at 101% of par plus accrued interest to date of redemption, which redemption price shall reduce 1/2 of 1% annually to par on or after July 1, 1990, and after July 1, 1986, \$610,000.00 par value of said "Water and Sewer Revenue Bonds, 1971," will be outstanding, being bonds numbered 79 to 200, inclusive, and bearing interest at 7.00% per annum; and

WHEREAS, after due consideration it appears to the City Council that said \$610,000.00 par value of "Water and Sewer Revenue Bonds, 1971," may be refunded on January 1, 1987, by the issuance and sale of refunding bonds so that a substantial savings will be effected by the difference between the principal and interest cost over the life of the refunding bonds and the principal and interest cost over the life of such "Water and Sewer Revenue Bonds, 1971"; and

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WHEREAS, in order to effect such refunding in the manner that will be most advantageous to the City it is hereby found necessary and advisable that certain direct obligations of the United States of America, bearing interest and maturing at such time or times as necessary to pay the interest on the refunding bonds until the said "Water and Sewer Revenue Bonds, 1971," are refunded and retired and to pay the principal of such "Water and Sewer Revenue Bonds, 1971," on the date when such bonds are to be called for such redemption, be purchased out of the proceeds of the sale of the refunding bonds herein authorized; and

WHEREAS, the City Council hereby finds and declares that there is no deficiency in the respective bond redemption funds and reserve accounts for the payment of all outstanding parity bonds and that Dennis Priebe, an independent licensed professional engineer experienced in the design, construction and operation of municipal utilities, has certified that the Revenue of the Waterworks Utility of the City (as hereinafter defined) is sufficient to meet the coverage requirement as specified in subparagraph (2) of Section 10 of Ordinance No. 2156 as evidenced by his certificate to such effect on file with the Director of Administration and Finance, such certifying engineer having taken into consideration the fact that no debt service payable out of the Revenue of the Waterworks Utility of the City will arise for the refunding bonds until after December 1, 1986, and that debt service payable out of such revenue for the outstanding "Water and Sewer Revenue Bonds, 1971," to be refunded will continue

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only until January 1, 1987, at which time the outstanding "Water and Sewer Revenue Bonds, 1971," will be paid and retired and debt service on the refunding bonds payable out of such revenue will then commence on such date; NOW, THEREFORE,

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

Section 1. As used in this ordinance, the following words shall have the following meanings:

(a) "City" shall mean the City of Kirkland, Washington, a duly organized city of the first class, together with the former City of Houghton, Washington, which has been consolidated into the City of Kirkland, Washington.

(b) "Bonds" shall mean the "Water and Sewer Revenue Refunding Bonds, 1972," authorized to be issued by this ordinance.

(c) "Bond Fund" shall mean the "Kirkland Refunding Water and Sewer Revenue Bond Fund, 1972," created by this ordinance in the office of the Director of Administration and Finance.

(d) "1950 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, Series B," dated July 1, 1950.

(e) "1953 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1953," dated May 1, 1953.

(f) "1955 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1955," dated July 1, 1955.

(g) "1960 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1960," dated April 1, 1960.

(h) "1968 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1968," dated June 1, 1968.

(i) "1970 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1970," dated September 1, 1970.

(j) "1971 Bonds" shall mean the outstanding "Water and Sewer Revenue Bonds, 1971," dated July 1, 1971.

(k) "Waterworks Utility of the City" shall mean the systems of water supply and distribution and sanitary sewage disposal, as combined pursuant to RCW 35.67.320, by Ordinance No. 576 of the City, passed and approved July 18, 1949, including all additions to and betterments and extensions of such waterworks utility of the City and also including the separate waterworks system and separate system of sewerage of the former City of Houghton, Washington, if the same shall hereafter be combined with and made a part of the Waterworks Utility of the City.

(l) "Houghton Sewer Revenue Bonds" shall mean the outstanding "Sewer Revenue Bonds, 1967," dated August 1, 1967, issued by the City of Houghton, Washington, pursuant to Ordinances Nos. 213 and 218 of the City of Houghton, Washington.

(m) "Revenue of the Waterworks Utility of the City" shall mean all the earnings and revenue received by the Waterworks Utility of the City from any source whatsoever, except general ad valorem taxes, proceeds from the sale of City property and bond proceeds.

(n) "Operating and Maintenance Expenses" shall mean all reasonable expenses incurred by the City in causing the

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Waterworks Utility of the City to be operated and maintained in good repair, working order and condition.

(o) "Parity Bonds" shall mean any and all water and sewer revenue bonds of the City issued after the date of the issuance of the Bonds, the payment of the principal of and interest on which constitutes a lien and charge upon Revenue of the Waterworks Utility of the City on a parity of lien with the Bonds, including the outstanding 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds and 1971 Bonds prior to their redemption on January 1, 1987.

Section 2. For the purpose of providing the funds necessary to redeem and retire on January 1, 1987, all of the then outstanding 1971 Bonds, being bonds numbered 79 to 200, inclusive, in the principal amount of \$610,000.00 and to pay the costs of such refunding plan, there shall be issued and sold \$610,000.00 par value of refunding water and sewer revenue bonds of the City. The bonds shall be designated "Water and Sewer Revenue Refunding Bonds, 1972" (hereinafter called the "Bonds"). The Bonds shall be in denominations of \$5,000.00 each, shall be numbered from 1 to 122, inclusive, shall be dated June 1, 1972, shall bear interest at the rate of 5.70% per annum, payable on December 1, 1972, and semiannually thereafter on each succeeding June 1 and December 1, interest to maturity to be evidenced by coupons to be attached to the Bonds, with full obligation on the part of the City to pay interest at the same rate from and after the Bond maturity dates until the Bonds with interest are paid in full or funds sufficient

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to pay such Bonds with interest in full are on deposit in the Bond Fund hereinafter referred to and the Bonds have been duly called for redemption. The Bonds shall mature in accordance with the following schedule, to-wit:

<u>Bond Numbers (Inclusive)</u>	<u>Amounts</u>	<u>Maturities</u>
1 to 16	\$ 80,000	June 1, 1987
17 to 37	105,000	June 1, 1988
38 to 58	105,000	June 1, 1989
59 to 79	105,000	June 1, 1990
80 to 101	110,000	June 1, 1991
102 to 122	105,000	June 1, 1992

Section 3. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America at the office of the Director of Administration and Finance (ex-officio City Treasurer) of the City of Kirkland, Washington, or, at the option of the bondholder, at either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York. The Bonds shall be payable solely out of the Bond Fund, and shall be a valid claim of the holder thereof only as against such special fund and the fixed amount of the Revenue of the Waterworks Utility of the City pledged to such fund (including the investment income from United States obligations to pay interest on the Bonds to December 1, 1986), and shall not be a general obligation of the City of Kirkland.

Section 4. The City of Kirkland reserves the right to redeem the Bonds as a whole, or in part in inverse numerical order, on June 1, 1986, or on any semiannual interest payment date thereafter at the following redemption prices expressed as a

percentage of par value, plus accrued interest to date of redemption, if called on the following dates:

On June 1, 1986, through December 1, 1987	101%
On June 1, 1988, through December 1, 1989	100-1/2%
On June 1, 1990, or thereafter	100%

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

Section 5. There is hereby created and established in the office of the Director of Administration and Finance a special fund to be known as the "Kirkland Refunding Water and Sewer Revenue Bond Fund, 1972" (herein defined as the "Bond Fund"). The Bond Fund is hereby divided into three accounts, namely, a "Principal and Interest Account," a "Reserve Account" and a "Refunding Bonds Account." Immediately upon receipt of payment in full for the Bonds a sufficient amount of the principal proceeds received to pay all costs of the refunding operation shall be deposited in the "Water and Sewer Fund" of the City. The principal proceeds received

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from the sale of the Bonds, together with the accrued interest received, shall be deposited in the "Refunding Bonds Account" and then shall be used immediately to purchase \$595,000.00 par value of United States Treasury Bonds due November 15, 1986, bearing 6-1/8% interest and yielding 6.15% interest. Seattle-First National Bank of Seattle, Washington, has agreed to provide this investment at a cost of \$593,140.63, plus accrued interest.

The United States Treasury Bonds to be purchased as above provided shall be registered as to principal and interest in the name of the "Director of Administration and Finance of the City of Kirkland, Washington, trustee for the Kirkland Refunding Water and Sewer Revenue Bond Fund, 1972, Refunding Bonds Account." All of such United States Treasury Bonds shall be held in the custody of the Director of Administration and Finance for such "Refunding Bonds Account" in the Bond Fund, and shall be placed in safekeeping with any bank normally used by such Director of Administration and Finance for safekeeping of City securities.

All the money received as principal of or interest on such Government obligations shall be held by the Director of Administration and Finance for the credit of the City for the "Refunding Bonds Account" in the Bond Fund and shall be held in trust and shall be used for the sole purpose of paying the interest on the Bonds until the \$610,000.00 par value of 1971 Bonds shall have been called, retired and paid and for the purpose of paying the principal of said 1971 Bonds on the date they are to be called

for redemption as aforesaid. All interest on and principal of the above-described Government obligations received prior to the time such money is needed to make any payment of interest on the Bonds or the principal of the 1971 Bonds to be called and retired on January 1, 1987, as provided herein, may be invested and reinvested only in United States Government obligations maturing prior to the date or dates such money will be needed for such payment.

Any moneys remaining in the "Refunding Bonds Account" in the Bond Fund after the payment and retirement in full of the 1971 Bonds on January 1, 1987, shall be transferred and paid into the "Principal and Interest Account" in the Bond Fund.

Section 6. So long as Bonds are outstanding against the Bond Fund the Director of Administration and Finance of the City of Kirkland shall set aside and pay into the Bond Fund out of the Revenue of the Waterworks Utility of the City a fixed amount without regard to any fixed proportion, namely, into the "Principal and Interest Account," monthly, on or before the 20th day of each month beginning with the month of December, 1986, and continuing thereafter one-sixth of the next ensuing six months' requirements of interest and one-sixth of the next ensuing six months' requirements for principal of the Bonds and beginning with the month of June, 1987, and continuing thereafter one-twelfth of the next ensuing twelve months' requirements for principal of the Bonds.

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Immediately after the payment and retirement on January 1, 1987, of the outstanding 1971 Bonds, there shall be transferred from the "Reserve Account" in the "Kirkland Water and Sewer Revenue Bond Fund, 1971," moneys then on deposit in such "Reserve Account" (being not less than the sum of \$93,679.00) to the "Reserve Account" in the Bond Fund and the "Reserve Account" in the Bond Fund shall thereafter be maintained in such amount, except for withdrawals therefrom as authorized herein, at all times so long as any of the Bonds is outstanding.

In the event that there should be a deficiency in the "Principal and Interest Account" in the Bond Fund to meet maturing installments of either principal or interest, as the case may be, such deficiency shall be made up from the "Reserve Account" by the withdrawal of cash therefrom for that purpose. Any deficiency created in the "Reserve Account" by reason of any such withdrawal shall then be made up from the Revenue of the Waterworks Utility of the City first available after making necessary provision for the required payments into the "Principal and Interest Account." The moneys in the "Reserve Account" shall otherwise be held intact and may be applied against the last outstanding Bonds.

All moneys in the "Reserve Account" above provided for may be kept on deposit in the official bank depository of the City, or may be invested in United States Government obligations redeemable at a fixed price and maturing not later than May 1, 1992. Interest earned on any such investments or on such bank deposit shall be deposited in the "Principal and Interest Account."

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Section 7. Subject to the redemption on January 1, 1987, of all then outstanding 1971 Bonds as herein provided, the Revenue of the Waterworks Utility of the City is hereby pledged to the payments required to be made as set forth in the immediately preceding section and the Bonds shall constitute a charge and lien upon such revenue prior and superior to any other charges whatsoever, excluding charges for maintenance and operation of the Waterworks Utility of the City, except that the lien and charge upon such revenue for the Bonds shall be on a parity with the lien and charge upon such gross revenues, after the payment and retirement of the 1971 Bonds, for the 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds and any Parity Bonds hereafter issued in accordance with the provisions of Section 10 of Ordinance No. 2156 and Section 11 of this ordinance, and except further that the charge and lien upon such revenue for the Bonds shall be junior and inferior to the prior charge and lien upon such revenue for the outstanding 1950 Bonds, and except further that in the event that the system of sewerage of the former City of Houghton, Washington, shall hereafter be combined with the Waterworks Utility of the City, the charge and lien upon the revenue from such City of Houghton system of sewerage alone for the Bonds shall be junior and inferior to the prior charge and lien upon the same for the outstanding Houghton Sewer Revenue Bonds.

Section 8. In the judgment of the City Council, the gross revenues and benefits to be derived from the operation and maintenance of the Waterworks Utility of the City at the rates to be charged

for water and sanitary sewage disposal service on the entire utility will be more than sufficient to meet all expenses of operation and maintenance thereof and the debt service requirements of the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds and the 1971 Bonds (prior to the payment and retirement of such 1971 Bonds on January 1, 1987) and to permit the setting aside in the Bond Fund out of the gross revenues of the entire utility of amounts sufficient to pay the interest on the Bonds as such interest becomes payable after December 1, 1986, and to pay and redeem all of the Bonds at maturity. The City Council and corporate authorities of the City of Kirkland further hereby declare that in creating the Bond Fund and in fixing the amounts to be paid into the same, as aforesaid, they have exercised due regard for the cost of operation and maintenance of the Waterworks Utility of the City and the debt service requirements of the presently outstanding bonds above referred to and the City has not bound and obligated itself to set aside and pay into the Bond Fund a greater amount or proportion of the revenues of the said utility than in the judgment of the City Council will be available over and above such cost of maintenance and operation and debt service requirements of said outstanding bonds, and that no portion of the Revenue of the Waterworks Utility of the City has been previously pledged for any indebtedness other than the outstanding bond issues above referred to.

Section 9. The City hereby covenants and agrees with the owner and holder of each Bond at any time outstanding as follows:

- (a) That it will establish, maintain and collect such rates and charges for water and

sanitary sewage disposal service so long as any Bonds are outstanding as will make available (1) for the payment of the principal of and interest on the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds, 1971 Bonds and any Parity Bonds hereafter issued an amount equivalent to at least 1.4 times the average annual debt service requirements, both principal and interest, on all outstanding bonds of said bond issues after operating and maintenance have been paid, but before depreciation, until the 1971 Bonds are paid and retired on January 1, 1987, and (2) thereafter for the payment of the principal of and interest on the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds, the Bonds and any Parity Bonds, an amount equivalent to at least 1.4 times the average annual debt service requirements, both principal and interest, on all outstanding bonds of said bond issues after operating and maintenance have been paid, but before depreciation.

(b) That it will at all times maintain and keep the Waterworks Utility of the City in good repair, working order and condition, and also will at all times operate that utility and the business in connection therewith in an efficient manner and at a reasonable cost.

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

so used may be invested in the same manner as provided for the investment of the moneys in the "Reserve Account" in the Bond Fund.

(d) That it will, while any of the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Waterworks Utility of the City, and it will furnish the original purchaser or purchasers of the Bonds or any subsequent holder or holders thereof, at the written request of such holder or holders, complete operating and income statements of the waterworks utility in reasonable detail covering any calendar year not more than ninety days after the close of such calendar year and it will grant any holder or holders of at least 25% of the outstanding Bonds the right at all reasonable times to inspect the entire Waterworks Utility of the City and all records, accounts and data of the City relating thereto. Upon request of any holder of any of the Bonds, it will also furnish to such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington, or such other audit as is authorized by law in lieu thereof.

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

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

(g) That it will pay all costs of maintenance and operation of the Waterworks Utility of the City and the debt service requirements of the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds, 1971 Bonds prior to their redemption on January 1, 1987, and the Bonds and otherwise meet the obligations of the City as herein set forth.

Section 10. The Bonds shall be substantially in the following form:

No. _____ \$5,000.00

UNITED STATES OF AMERICA

STATE OF WASHINGTON

CITY OF KIRKLAND

WATER AND SEWER REVENUE REFUNDING BOND, 1972

5.70%

KNOW ALL MEN BY THESE PRESENTS: That the City of Kirkland, State of Washington, for value received promises to pay to bearer on the FIRST DAY OF JUNE, 19__, the principal sum of

FIVE THOUSAND DOLLARS

together with interest thereon at the rate of FIVE AND SEVENTY-HUNDREDTHS PERCENT (5.70%) per annum, payable on December 1, 1972, and semiannually thereafter on each succeeding June 1 and December 1, upon presentation and surrender of the attached interest coupons as they severally mature up to the bond maturity date until this bond with interest is paid in full, or funds are available in the "Kirkland Refunding Water and Sewer Revenue Bond Fund, 1972" (hereinafter called the "Bond Fund"), for payment in full and this bond has been duly called for redemption. Both principal of and interest on this bond are payable in lawful money of the United States of America at the office of the Director of Administration and Finance of the City of Kirkland, Washington, or, at the option of the holder, at either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York, solely out of the special fund created by Ordinance No. _____, and referred to herein as the "Bond Fund," into which fund the City of Kirkland hereby irrevocably binds itself to pay the principal proceeds received from the issuance of this bond and all investment income therefrom and certain fixed amounts out of the gross revenues of the waterworks utility of the City, including the sewerage system as a part thereof, now belonging to or which may hereafter belong to the City, including all additions, extensions and betterments thereof now or at any time made or constructed, as the same is defined in Ordinance No. _____, without regard to any fixed proportion,

namely, amounts sufficient to pay the principal of and interest on this issue of bonds, as they respectively become due, after the redemption of the outstanding "Water and Sewer Revenue Bonds, 1971," and to maintain a reserve, all at the times and in the manner set forth in Ordinance No. _____.

The gross revenues from the combined water and sewerage systems, comprising the waterworks utility of the City, have been pledged to the payments required to be made as set forth in Section 6 of Ordinance No. _____, and subject to the redemption on January 1, 1987, of all of the outstanding "Water and Sewer Revenue Bonds, 1971," as provided in Ordinance No. _____, the bonds of this issue shall constitute a charge and lien upon such revenues prior and superior to any other charges whatsoever, excluding charges for maintenance and operation of the waterworks utility of the City, except that the lien and charge upon such revenues for the bonds of this issue shall, after the payment and retirement of the outstanding "Water and Sewer Revenue Bonds, 1971," be on a parity with the lien and charge upon such gross revenues for the outstanding "Water and Sewer Revenue Bonds, 1953," "Water and Sewer Revenue Bonds, 1955," "Water and Sewer Revenue Bonds, 1960," "Water and Sewer Revenue Bonds, 1968," "Water and Sewer Revenue Bonds, 1970," and any additional water and sewer revenue bonds which may be hereafter issued on a parity of lien upon such gross revenues for the outstanding "Water and Sewer Revenue Bonds, 1953," "Water and Sewer Revenue Bonds, 1955," "Water and Sewer Revenue Bonds, 1960," "Water and Sewer Revenue Bonds, 1968," "Water and Sewer Revenue Bonds, 1970," "Water and Sewer Revenue Bonds, 1971" (prior to the payment and retirement of such outstanding "Water and Sewer Revenue Bonds, 1971," on January 1, 1987), and the bonds of this issue in accordance with the provisions of Section 10 of Ordinance No. 2156 and Section 11 of Ordinance No. _____, and, except further, that the charge and lien upon such revenues for the bonds of this issue shall be junior and inferior to the prior charge and lien upon such revenues for the outstanding "Water and Sewer Revenue Bonds, Series B," and, except further, that in the event that the system of sewerage of the former City of Houghton, Washington, shall hereafter be combined with the waterworks utility of the City, the charge and lien upon the revenue from such City of Houghton system of sewerage alone for the bonds of this issue shall be junior and inferior to the prior charge and lien upon the same for the outstanding "Sewer Revenue Bonds, 1967," issued by the City of Houghton, Washington, under date of August 1, 1967.

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This bond is one of a total issue of \$610,000.00 par value of bonds, all of like date, tenor and effect, except as to maturities, all payable from the Bond Fund and all issued by the City under and in pursuance of the laws of the State of Washington, particularly Chapter 138, Laws of 1965, 1st Ex. Ses. (RCW Chapter 39.53), and Ordinance No. _____ for the purpose of providing the funds to refund, pay and retire on January 1, 1987, \$610,000.00 par value of outstanding "Water and Sewer Revenue Bonds, 1971," and to pay the costs of such refunding plan.

The City of Kirkland has reserved the right to redeem the bonds as a whole, or in part in inverse numerical order, on June 1, 1986, or on any semiannual interest payment date thereafter at the following redemption prices expressed as a percentage of par value, plus accrued interest to date of redemption, if called on the following dates:

On June 1, 1986, through December 1, 1987	101%
On June 1, 1988, through December 1, 1989	100-1/2%
On June 1, 1990, or thereafter	100%

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

The City of Kirkland hereby covenants and agrees with the holders of each and every one of the bonds of this issue to fully carry out all covenants and meet all obligations of the City, as set forth in Ordinance No. _____, to which ordinance reference is hereby made as more fully describing the covenants with and rights of holders of bonds of this issue.

It is hereby certified and declared that the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and the laws of the State of Washington and the ordinances of the City

of Kirkland, and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, have been done and have been performed as required by law.

IN WITNESS WHEREOF, the City of Kirkland, Washington, has caused this bond to be signed by the facsimile signature of its Mayor and attested by the manual signature of its Director of Administration and Finance, ex officio City Clerk, and its corporate seal to be hereto affixed and the interest coupons attached to be signed with the facsimile signatures of said officials this first day of June, 1972.

CITY OF KIRKLAND, WASHINGTON

By (facsimile signature)
Mayor

ATTEST:

Director of Administration
and Finance, ex officio
City Clerk

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

Coupon No. ____

\$142.50

On the FIRST DAY OF (JUNE) (DECEMBER), 19__, the CITY OF KIRKLAND, WASHINGTON, upon presentation and surrender of this coupon will pay to bearer at the office of the Director of Administration and Finance of the City of Kirkland, Washington, or, at the option of the holder, at either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York, the sum shown hereon in lawful money of the United States of America from the special fund of said City, known as the "Kirkland Refunding Water and Sewer Revenue Bond Fund, 1972," said sum being six months' interest then due on its "Water and Sewer Revenue Refunding Bond, 1972," dated June 1, 1972, and numbered ____.

CITY OF KIRKLAND, WASHINGTON

By (facsimile signature)
Mayor

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ATTEST:

(facsimile signature)
Director of Administration
and Finance, ex officio
City Clerk

The Bonds shall be printed on lithographed forms, shall be signed by the facsimile signature of the Mayor and attested by the manual signature of the Director of Administration and Finance, ex officio City Clerk, and shall have the seal of the City of Kirkland affixed thereto and the interest coupons shall bear the facsimile signatures of the Mayor and the Director of Administration and Finance, ex officio City Clerk.

Section 11. The City reserves the right to issue Parity Bonds hereafter if the conditions set forth in Section 10 of Ordinance No. 2156 shall be met and complied with at the time of issuance of such Parity Bonds, which section is incorporated in this ordinance and by this reference made a part hereof and shall be applicable after the retirement of said outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1968 Bonds, 1970 Bonds and 1971 Bonds.

Section 12. Nothing herein contained shall prevent the City from issuing revenue bonds which are a charge upon the Revenue of the Waterworks Utility of the City junior or inferior to the payments required to be made therefrom into the Bond Fund and the "Reserve Account" therein nor from pledging assessments collected in utility local improvement districts hereafter created to the payment of such junior lien revenue bonds or Parity Bonds if the conditions required for the issuance of such

Parity Bonds are met. Nor shall anything herein contained prevent the City from issuing revenue bonds to refund maturing revenue bonds of the City for the payment of which moneys are not otherwise available.

Section 13. The Director of Administration and Finance is hereby authorized and directed to cause to be published once not less than thirty nor more than forty-five days prior to January 1, 1987, in the official newspaper of the City a notice of call for redemption of all outstanding 1971 Bonds (being bonds numbered 79 to 200, inclusive) and to mail a copy of such notice of redemption to Seattle-Northwest Securities Corporation, at its principal place of business in Seattle, Washington, within the same period as provided in Ordinance No. 2156 and in the Bonds, and the Director of Administration and Finance is hereby authorized and directed to pay and redeem all of said outstanding 1971 Bonds on January 1, 1987, at 101% of the par value thereof, plus accrued interest to such date of redemption.

Section 14. Seattle-Northwest Securities Corporation of Seattle, Washington, heretofore offered to purchase the Bonds at a price of \$98.00 per each \$100.00 par value, plus accrued interest from the date of issuance to the date of delivery of the Bonds, the City to furnish the printed Bonds and the unqualified approving legal opinion of Messrs. Roberts, Shefelman, Lawrence, Gay & Moch, municipal bond counsel of Seattle, Washington, at the City's expense. The City Council, being of the opinion that no better price could be obtained for the Bonds and that

it was in the best interests of the City to accept the same, accepted such offer on June 8, 1972, and such acceptance is hereby ratified and confirmed. The Bonds shall, therefore, immediately upon their execution be delivered to the purchaser upon payment for the Bonds in accordance with such offer.

PASSED by the City Council of the City of Kirkland, Washington, at a regular open public meeting thereof, and APPROVED by the Mayor this 19th day of June, 1972.

CITY OF KIRKLAND, WASHINGTON

By: William C. Woods
Mayor

ATTEST:

T. P. Adams
Director of Administration
and Finance, ex officio
City Clerk

FORM APPROVED:

Ralph B. [Signature]
City Attorney