

CITY OF KIRKLAND, WASHINGTON

ORDINANCE NO. 2257

AN ORDINANCE of the City of Kirkland, Washington, providing for the issuance of \$1,870,000.00 par value of its "Water and Sewer Revenue Refunding Bonds, 1974," for the purpose of providing the funds to pay the principal of and interest on certain outstanding "Water and Sewer Revenue Bonds, 1968," "Water and Sewer Revenue Bonds, 1970," and "Water and Sewer Revenue Bonds, 1971," and to refund and retire the remaining outstanding principal amounts of such bonds on certain call dates; 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 moneys in the bond redemption funds for the outstanding bonds to be refunded and for the use and application of the moneys to be derived from such investment; providing for the payment and redemption of the outstanding bonds to be refunded; and confirming the sale and providing for the delivery of the refunding bonds to Seattle-Northwest Securities Corporation of Seattle, Washington.

WHEREAS, the City of 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

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, pursuant to Ordinance No. 2191, passed June 19, 1972, the City issued and sold \$610,000.00 par value of its "Water and Sewer Revenue Refunding Bonds, 1972," for the purpose of providing funds to redeem on January 1, 1987, all remaining outstanding "Water and Sewer Revenue Bonds, 1971," being bonds numbered 79 to 200, inclusive, and maturing from July 1, 1987, to July 1, 1992, inclusive; and

WHEREAS, as provided in Ordinance No. 1159 and in the outstanding "Water and Sewer Revenue Bonds, 1968," bonds numbered 1 to 16, inclusive, maturing on June 1, 1983, were issued without the right or option of the City to call the same for redemption prior to their stated maturity date, and the City reserved the right to redeem bonds numbered 17 to 160, inclusive, maturing from June 1, 1984, to June 1, 1991, inclusive, as a whole, or in part in inverse numerical order, on June 1, 1983, at \$102.00 per each \$100.00 par value thereof, plus accrued interest to the date of redemption, or on any subsequent interest payment date reducing \$0.50 per each \$100.00 par value annually to par, plus accrued interest, on or after June 1, 1987, which "Water and Sewer Revenue Bonds, 1968," bear interest at various rates from 5.70% to 5.80% per annum; and

WHEREAS, as provided in Ordinance No. 2118 and in the "Water and Sewer Revenue Bonds, 1970," bonds numbered 1 to 51, inclusive, maturing from September 1, 1972, to September 1, 1980, inclusive, were issued without the right or option of the City to call the same for redemption prior to their stated maturity dates, and the City reserved the right to redeem bonds numbered 52 to 80, inclusive, maturing from September 1, 1981, to September 1, 1984, inclusive, as a whole, or in part in inverse numerical order, on September 1, 1980, or on any subsequent interest payment date, at par, plus accrued interest to date of redemption, and bonds numbered 1 to 34, inclusive, bear interest at the rate of 7.00% per annum and bonds numbered 35 to 80, inclusive, bear interest at the rate of 7.25% per annum; and

WHEREAS, as provided in Ordinance No. 2156 and in the "Water and Sewer Revenue Bonds, 1971," outstanding bonds numbered 7 to 78, inclusive, maturing from July 1, 1974, to July 1, 1986, inclusive, were issued without the right or option of the City to call the same for redemption prior to their stated maturity dates (provision for the refunding of the remaining bonds numbered 79 to 200, inclusive, having been provided from the issuance and sale of the outstanding "Water and Sewer Revenue Refunding Bonds, 1972," on January 1, 1987), which bonds numbered 7 to 78, inclusive, bear interest at various rates from 6.00% per annum to 7.00% per annum; and

WHEREAS, after due consideration it appears to the City Council that all of the outstanding "Water and Sewer Revenue Bonds, 1968," and "Water and Sewer Revenue Bonds, 1970," may be refunded by providing funds for the payment of the principal of and interest on such outstanding bonds until their respective first par call dates

at which time the remaining bonds then outstanding will be paid and retired and that the outstanding bonds numbered 7 to 78, inclusive, of the "Water and Sewer Revenue Bonds, 1971," may be refunded by providing funds for the payment of the principal of and interest on such outstanding bonds until their respective maturity dates and that the interest payable on outstanding bonds numbered 79 to 200, inclusive, of the "Water and Sewer Revenue Bonds, 1971," until January 1, 1987, the date of call and payment of the principal of such bonds, may be refunded by providing funds for the payment of such interest, all by the issuance and sale of refunding bonds so that a substantial saving will be effected by the difference between the principal and interest cost over the life of the refunding bonds and the principal and interest cost over the life of such outstanding bonds to be refunded; and

WHEREAS, in each of the bond ordinances pertaining to the outstanding "Water and Sewer Revenue Bonds, 1968," "Water and Sewer Revenue Bonds, 1970," and "Water and Sewer Revenue Bonds, 1971," and in such bonds, it was provided that in the event the City should issue advance refunding bonds pursuant to the laws of the State of Washington to pay the principal of and interest on such bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding bonds and to pay the costs or refunding, and shall have irrevocably set aside for and pledged to such payment and refunding, moneys and/or direct obligations of the United States of America sufficient in amount, together with known earned income from the investment thereof, to make such payments and to accomplish the refunding as scheduled, and shall irrevocably make provisions for redemption of such bonds, then in that case all right

and interest of the owners or holders of the bonds to be so retired or refunded and the appurtenant coupons in the covenants of the respective bond ordinances and in the Revenue of the Waterworks Utility of the City, funds and accounts obligated to the payment of such bonds, except the right to receive the funds so set aside and pledged, shall thereupon cease and become void and the City may apply any moneys in any fund or account established for the payment or redemption of such bonds or coupons to any lawful purposes as it shall determine; and

WHEREAS, in order to effect the refunding of the outstanding "Water and Sewer Revenue Bonds, 1968," "Water and Sewer Revenue Bonds, 1970," and "Water and Sewer Revenue Bonds, 1971," in the manner that will be most advantageous to the City and its taxpayers and to accomplish a defeasance of such outstanding bonds, it is hereby found necessary and advisable that certain direct obligations of the United States of America (herein called "Acquired Obligations" and hereinafter identified) bearing interest and maturing at such time or times as necessary to pay the principal of and interest on the "Water and Sewer Revenue Bonds, 1968," and "Water and Sewer Revenue Bonds, 1970," as the same shall become due and to redeem such outstanding bonds on their respective first par call dates and to pay the principal of and interest on bonds numbered 7 to 78, inclusive, of the "Water and Sewer Revenue Bonds, 1971," and the interest on bonds numbered 79 to 200, inclusive, of the "Water and Sewer Revenue Bonds, 1971," until January 1, 1987, as they respectively become due and mature, be purchased out of the proceeds of the sale of the refunding bonds herein authorized (hereinafter called the "Refunding Bonds") and moneys

presently on hand in the bond redemption funds of such bonds to be so refunded; and

WHEREAS, the City Council hereby finds that there is no deficiency in the bond redemption funds and reserve accounts created therein for any of the outstanding water and sewer revenue bonds of the City and that no Parity Certificate is required in connection with the issuance of the proposed Refunding Bonds since the average annual debt service requirements on such Refunding Bonds are not increased over the average annual debt service requirements on the bonds being refunded; 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 non-charter code city, together with the former City of Houghton, Washington, which has been consolidated into the City of Kirkland, Washington.

(b) "Refunding Bonds" shall mean the "Water and Sewer Revenue Refunding Bonds, 1974," authorized to be issued by this ordinance.

(c) "Bond Fund" shall mean the "Kirkland Refunding Water and Sewer Revenue Bond Fund, 1974," 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) "1972 Bonds" shall mean the outstanding "Water and Sewer Revenue Refunding Bonds, 1972," dated June 1, 1972.

(l) "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.

(m) "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.

(n) "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.

(o) "Operating and Maintenance Expenses" shall mean all reasonable expenses incurred by the City in causing the Waterworks Utility of the City to be operated and maintained in good repair, working order and condition.

(p) "Parity Bonds" shall mean any and all water and sewer revenue bonds of the City issued after the date of the issuance of the Refunding Bonds, the payment of the principal of and interest on which constitutes a lien and charge upon Revenue of the Waterworks Utility of the City on a parity of lien with the Refunding Bonds, including the outstanding 1953 Bonds, 1955 Bonds, 1960 Bonds and 1972 Bonds.

Section 2. For the purpose of providing the moneys required (a) to pay the principal of and interest on the 1968 Bonds coming due to and including June 1, 1987, and to redeem and retire on June 1, 1987, all of the then outstanding 1968 Bonds, (b) to pay the principal of and interest on the 1970 Bonds coming due to and including September 1, 1980, and to redeem and retire on September 1, 1980, all of the then outstanding 1970 Bonds, (c) to pay the principal of and interest on bonds numbered 7 to 78, inclusive, of the 1971 Bonds as the same become due and mature up through July 1, 1986, and (d) to pay the interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987, the City shall issue the Refunding Bonds in the aggregate principal amount of \$1,870,000.00.

The Refunding Bonds shall be in denominations of \$5,000.00 each; shall be numbered from 1 to 374, inclusive; shall be dated May 1, 1974; shall bear interest at the rate of 6% per annum, payable on June 1, 1974, and semiannually thereafter on each succeeding December 1 and June 1, interest to maturity to be evidenced by coupons to be attached to the Refunding Bonds, with full obligation on the part of the City to pay interest at the same rate from and after the bond maturity dates until the Refunding Bonds with interest are paid in full or funds sufficient to pay such Refunding Bonds with interest in full are on deposit in the Bond Fund hereinafter referred to and the Refunding Bonds have been duly called for redemption. The Refunding Bonds shall mature in accordance with the following schedule, to-wit:

<u>Bond Numbers (Inclusive)</u>	<u>Amounts</u>	<u>Maturities</u>
1 to 3	\$ 15,000	June 1, 1974
4 to 16	65,000	June 1, 1975
17 to 30	70,000	June 1, 1976
31 to 46	80,000	June 1, 1977
47 to 62	80,000	June 1, 1978
63 to 79	85,000	June 1, 1979
80 to 99	100,000	June 1, 1980
100 to 121	110,000	June 1, 1981
122 to 141	100,000	June 1, 1982
142 to 174	165,000	June 1, 1983
175 to 207	165,000	June 1, 1984
208 to 242	175,000	June 1, 1985
243 to 278	180,000	June 1, 1986
279 to 296	90,000	June 1, 1987
297 to 315	95,000	June 1, 1988
316 to 334	95,000	June 1, 1989
335 to 354	100,000	June 1, 1990
355 to 374	100,000	June 1, 1991

Section 3. Both principal of and interest on the Refunding Bonds shall be payable in lawful money of the United States of America at the office of the Director of Administration and Finance of the City 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 Refunding 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, and shall not be a general obligation of the City.

Section 4. The City reserves the right to redeem the Refunding Bonds as a whole, or in part in inverse numerical order, on June 1, 1984, 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, 1984, or December 1, 1984	102%
On June 1, 1985, or December 1, 1985	101%
On June 1, 1986, or thereafter	100% (Par)

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 Refunding Bonds. Interest on any Refunding 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, 1974" (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 Account." Immediately upon receipt of payment in full for the Refunding Bonds, the accrued interest received shall be deposited in the "Principal and Interest Account" in the Bond Fund. The principal proceeds received shall be deposited in the "Refunding Account" and the following amounts representing accrued interest on the outstanding bonds to be refunded from their respective last interest payment dates to the date of delivery of the Refunding Bonds to the purchaser thereof (contemplated to be May 10, 1974) shall be transferred from the respective bond redemption funds of such outstanding bonds to be refunded to the "Refunding Account":

<u>Bond redemption fund</u>	<u>Amount</u>
"Kirkland Water and Sewer Revenue Bond Fund, 1968"	\$20,329.92
"Kirkland Water and Sewer Revenue Bond Fund, 1970"	5,385.70
"Kirkland Water and Sewer Revenue Bond Fund, 1971"	23,784.38

The moneys in the "Refunding Account" shall be used immediately upon the receipt thereof to discharge the obligations of the City under Ordinance No. 1159, passed and approved June 17, 1968, authorizing the issuance of the 1968 Bonds, under Ordinance No. 2118, passed and approved September 8, 1970, authorizing the issuance of the 1970 Bonds, and under Ordinance No. 2156, passed and approved June 7, 1971, authorizing the issuance of the 1971 Bonds insofar as bonds numbered 7 to 78, inclusive, and as to interest payable to January 1, 1987, on bonds numbered 79 to 200, inclusive, are concerned by providing for the payment as hereinafter set forth in this section of the principal of and interest on and final redemption of such outstanding bonds. To the extent practicable the City shall discharge such obligations by the

purchase of United States Treasury Bonds, United States Treasury Notes, United States Treasury Bills, and United States Treasury Bonds and United States Treasury Notes commonly called "book entries" ("Acquired Obligations") bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide the moneys required (a) to pay the principal of and interest on the 1968 Bonds coming due to and including June 1, 1987, and to redeem and retire on June 1, 1987, all of the then outstanding 1968 Bonds, (b) to pay the principal of and interest on the 1970 Bonds coming due to and including September 1, 1980, and to redeem and retire on September 1, 1980, all of the then outstanding 1970 Bonds, (c) to pay the principal of and interest on bonds numbered 7 to 78, inclusive, of the 1971 Bonds as the same become due and mature up through July 1, 1986, and (d) to pay the interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987. Such "Acquired Obligations" and the prices to be paid for the same are more particularly described in the proposal of Seattle-Northwest Securities Corporation hereinafter referred to.

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

All the moneys received as principal of or interest on such "Acquired Obligations" shall be held by the Refunding Trustee for the credit of the City for the "Refunding Account" in the Bond Fund, and shall be held in trust and shall be used for the sole purpose of (a) paying the principal of and interest on the 1968 Bonds coming due to and including June 1, 1987, and redeeming and retiring on June 1, 1987, all of the then outstanding 1968 Bonds, (b) paying the principal of and interest on the 1970 Bonds coming due to and including September 1, 1980, and redeeming and retiring on September 1, 1980, all of the then outstanding 1970 Bonds, (c) paying the principal of and interest on bonds numbered 7 to 78, inclusive, of the 1971 Bonds as the same become due and mature up through July 1, 1986, and (d) paying the interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987.

The moneys remaining in the "Refunding Account" in the Bond Fund after the payment and retirement in full of the outstanding 1968 Bonds on June 1, 1987, the outstanding 1970 Bonds on September 1, 1980, and the last maturing 1971 Bonds numbered 66 to 78, inclusive, on July 1, 1986, shall be transferred and paid into the "Principal and Interest Account" in the Bond Fund. All of such "Acquired Obligations" purchased as a part of the refunding plan are hereby irrevocably dedicated to the purposes set forth in this ordinance, and such investments or the earnings or the proceeds therefrom may be used for no other purpose, nor may any of such investments be liquidated prior to maturity.

Section 6. The City hereby irrevocably calls for redemption on June 1, 1987, all of the outstanding 1968 Bonds maturing after June 1, 1987, at the par value thereof plus accrued interest to such

date of redemption and on September 1, 1980, all of the outstanding 1970 Bonds maturing after September 1, 1980, at the par value thereof plus accrued interest to such date of redemption. Such calls for redemption shall be irrevocable after the delivery of the Refunding Bonds to the initial purchaser thereof.

The Director of Administration and Finance, ex officio City Clerk of the City and the Refunding Trustee are hereby authorized and directed to give notice of the redemption of the 1968 Bonds in accordance with the provisions of Ordinance No. 1159 pertaining to the 1968 Bonds and to give notice of the redemption of the 1970 Bonds in accordance with the provisions of Ordinance No. 2118 pertaining to the 1970 Bonds.

Section 7. The Refunding Trustee is hereby authorized and directed to pay the principal of and interest on the 1968 Bonds, the 1970 Bonds and bonds numbered 7 to 78, inclusive, of the 1971 Bonds and the interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987, when due from the "Acquired Obligations" and moneys deposited with the Refunding Trustee pursuant to Section 5 of this ordinance. All "Acquired Obligations" and the moneys deposited with the Refunding Trustee and any income therefrom shall be held and applied in accordance with the provisions of Ordinance No. 1159 pertaining to the 1968 Bonds, Ordinance No. 2118 pertaining to the 1970 Bonds and Ordinance No. 2156 pertaining to the 1971 Bonds, and this ordinance and with the statutes of the State of Washington.

All necessary and proper fees, compensation and expenses of the Refunding Trustee for the Refunding Bonds and all other costs incidental to the refunding of the 1968 Bonds, 1970 Bonds and bonds numbered 7 to 78, inclusive, of the 1971 Bonds and interest on bonds

numbered 79 to 200, inclusive, of the 1971 Bonds, including but not limited to reasonable charges of bond counsel, rating services and bond printing, shall be paid when due by the initial purchaser of the Refunding Bonds. The proper officers and agents of the City are directed to obtain from the Refunding Trustee an agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the redemption and retirement of said outstanding bonds to be refunded as provided herein and stating that such provisions for the payment of the fees, compensation and expenses of such Refunding Trustee are satisfactory to it.

In order to carry out the purposes of this ordinance, the Mayor and Director of Administration and Finance, ex officio City Clerk, of the City are authorized and directed to execute and deliver to The National Bank of Commerce of Seattle, Seattle, Washington, an agreement in the form attached hereto marked "Exhibit A" and by this reference hereby made a part of this ordinance.

Section 8. So long as Refunding Bonds are outstanding against the Bond Fund, the Director of Administration and Finance of the City shall set aside and pay into the "Principal and Interest Account" in such fund out of the Revenue of the Waterworks Utility of the City a fixed amount, without regard to any fixed proportion, namely, on or before June 1, 1974, an amount, together with the accrued interest received, equal to the principal and interest payable on such date and on or before the 20th day of each month thereafter, beginning with the month of June, 1974, 1/6th of the next ensuing six months' requirements of interest and 1/12th of the next ensuing



twelve months' requirements for principal of the Refunding Bonds and continuing thereafter until the Refunding Bonds, both principal and interest, are paid in full.

Section 9. The Director of Administration and Finance of the City is hereby authorized and directed to immediately transfer into the "Reserve Account" in the Bond Fund from the reserve accounts in the "Kirkland Water and Sewer Revenue Bond Fund, 1968," and the "Kirkland Water and Sewer Revenue Bond Fund, 1970," all remaining moneys on deposit in such reserve accounts, being a total of \$120,098.00. Upon complete retirement in 1977 of the 1950 Bonds and the 1953 Bonds, the moneys remaining in the reserve accounts in the bond redemption funds for such bonds, totaling \$22,250.00, shall be transferred therefrom and deposited in the "Reserve Account" in the Bond Fund. Such moneys so transferred into the "Reserve Account" in the Bond Fund shall be maintained therein, except for withdrawals therefrom as authorized herein, at all times so long as any of the Refunding 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 Refunding 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, 1991. Interest earned on any such investments or on such bank deposit shall be deposited in the "Principal and Interest Account."

Section 10. With the irrevocable setting aside for and pledge to the payment of the principal of and interest on all outstanding 1968 Bonds and 1970 Bonds to their respective first par call dates and the irrevocable call of such 1968 Bonds and 1970 Bonds on their first par call dates and the irrevocable setting aside for and pledge to the payment of the principal of and interest on bonds numbered 7 to 78, inclusive, of the 1971 Bonds to their respective maturity dates and interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987, (and pursuant to Ordinance No. 2191, the irrevocable setting aside for and pledge to the retirement on January 1, 1987, of all remaining outstanding 1971 Bonds) of moneys and direct obligations of the United States of America sufficient in amount, together with known earned income from the investment therefrom to make such payments and to accomplish the refunding as scheduled, all right and interest of the owners or holders of the 1968 Bonds, 1970 Bonds and all of the 1971 Bonds to be so retired or refunded and the appurtenant coupons in the covenants of the respective bond ordinances and in the Revenue of the Waterworks Utility of the City, funds and accounts obligated to the payment of

such 1968 Bonds, 1970 Bonds and 1971 Bonds, except the right to receive the funds so set aside and pledged, shall cease and become void upon the deposit of such moneys and direct obligations of the United States of America with the Refunding Trustee, and such outstanding 1968 Bonds, 1970 Bonds and 1971 Bonds shall be deemed to have been defeased.

Section 11. The Revenue of the Waterworks Utility of the City is hereby pledged to the payments required to be made as set forth in Section 9, and the Refunding 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 Refunding Bonds shall be on a parity with the lien and charge upon such gross revenues for the 1953 Bonds, 1955 Bonds, 1960 Bonds, 1972 Bonds and any Parity Bonds hereafter issued in accordance with the provisions of Section 10 of Ordinance No. 2156, Section 11 of Ordinance No. 2191 and Section 16 of this ordinance, and except further that the charge and lien upon such revenue for the Refunding 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 Refunding Bonds shall be junior and inferior to the prior charge and lien upon the same for the outstanding Houghton Sewer Revenue Bonds.

Section 12. 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 Operating and Maintenance Expenses thereof and the debt service requirements of the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds and 1972 Bonds and to permit the setting aside in the Bond Fund out of the Revenue of the Waterworks Utility of the City of amounts sufficient to pay the interest on the Refunding Bonds as such interest becomes payable and to pay and redeem all of the Refunding Bonds at maturity. The City Council and corporate authorities of the City 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 Operating and Maintenance Expenses 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 Revenue of the Waterworks Utility of the City than in the judgment of the City Council will be available over and above such Operating and Maintenance Expenses and debt service requirements of said outstanding bonds, and that no portion of the Revenue of the Waterworks Utility of the City is pledged for any indebtedness other than the outstanding bond issues above referred to.

Section 13. The City hereby covenants and agrees with the owner and holder of each Refunding Bond at any time outstanding as follows:

(a) That it will establish, maintain and collect such rates and charges for water and sanitary sewage disposal service so long as any Refunding Bonds are outstanding as will make available for the payment of the principal of and interest on the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1972 Bonds, Refunding 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 Expenses 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 Refunding 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 Refunding Bonds as the revenue available for debt service for such outstanding Refunding Bonds for the twelve months preceding such sale, lease, encumbrance or disposal from the portion of the utility sold, leased, encumbered or disposed of bears to the revenue available for debt service for such Refunding Bonds from the entire utility for the same period. Any such moneys so paid into the Bond Fund shall be used to retire such outstanding Refunding Bonds 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 Refunding 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 Refunding Bonds or any subsequent holder or holders thereof, at the written request of such holder or holders, complete operating and income statements of the waterworks utility 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 Refunding Bonds the right at all reasonable times to inspect the entire Waterworks Utility of the City and all records, accounts and data of the City relating thereto. Upon request of any holder of any of the Refunding Bonds, it will also furnish to such holder a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington, or 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 Maintenance Expenses 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 Operating and Maintenance Expenses of the Waterworks Utility of the City and the debt service requirements of the outstanding 1950 Bonds, 1953 Bonds, 1955 Bonds, 1960 Bonds, 1972 Bonds and the Refunding Bonds and otherwise meet the obligations of the City as herein set forth; and

(h) That it will make no use of the proceeds of the Refunding Bonds or other funds of the City at any time during the term of the Refunding Bonds which, if such use had been reasonably expected at the date that the Refunding Bonds are issued, would have caused such Refunding Bonds to be arbitrage bonds within the meaning

of Section 106(d) of the United States Internal Revenue Code of 1954, and for this purpose it further covenants that none of the proceeds of the Refunding Bonds or the investment of such proceeds will be used to acquire obligations the adjusted yield on which will exceed the adjusted yield produced by the Refunding Bonds, both such adjusted yields being computed pursuant and subject to the requirements and exceptions of Sections 1.103-13 and 1.103-14 of the regulations proposed by the United States Treasury Department published in the Federal Register on May 3, 1973 (except for refunding bonds portion which is still covered by June 1, 1972, proposed regulations), as the same may be changed from time to time, or any other applicable regulations hereafter adopted.

The covenants of this section appertaining to the Refunding Bonds shall be subject to all provisions concerning payment and to all other contractual provisions in the proceedings authorizing the issuance of the outstanding 1968 Bonds, 1970 Bonds and 1971 Bonds or otherwise appertaining thereto.

Section 14. The Refunding Bonds and interest coupons to be attached thereto shall be substantially in the form attached hereto, marked "Exhibit B," and by this reference made a part of this ordinance.

Section 15. The Refunding Bonds shall be printed on lithographed forms, shall be signed by the facsimile signature of the Mayor and attested by the manual signature of the Director of Administration and Finance, ex officio City Clerk, and shall have the seal of the City affixed thereto and the interest coupons shall bear the facsimile signatures of the Mayor and the Director of Administration and Finance, ex officio City Clerk.

Section 16. 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 and 1972 Bonds.

Section 17. 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 18. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington to pay the principal of and interest on the Refunding Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Refunding Bonds and to pay the costs of refunding, and shall have irrevocably set aside for and pledged to such payment and refunding, moneys and/or direct obligations of the United States of America or other legal investments sufficient in amount, together with known earned income from the investment thereof, to make such payments and to accomplish



the refunding as scheduled, and shall irrevocably make provisions for redemption of such Refunding Bonds, then in that case all right and interest of the owners or holders of the Refunding Bonds to be so retired or refunded and the appurtenant coupons in the covenants of this ordinance and in the Revenue of the Waterworks Utility of the City, funds and accounts obligated to the payment of such Refunding Bonds, except the right to receive the funds so set aside and pledged, shall thereupon cease and become void and the City may then apply any moneys in any fund or account established for the payment or redemption of such Refunding Bonds or coupons to any lawful purposes as it shall determine.

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

Section 19. Seattle-Northwest Securities Corporation of Seattle, Washington, heretofore offered to purchase the Refunding

Bonds at par plus a premium of \$35,187.33 plus accrued interest to the date of delivery of the Refunding Bonds, the City to furnish the printed Refunding Bonds and the unqualified approving legal opinion of Messrs. Roberts, Shefelman, Lawrence, Gay & Moch, municipal bond counsel of Seattle, Washington, and the purchaser to pay the cost of printing such Refunding Bonds and the cost of such legal opinion and the purchaser to provide the "Acquired Obligations" above referred to as set forth in such offer. The City Council, being of the opinion that it was in the best interests of the City to accept such offer, duly accepted the same on April 15, 1974, and such acceptance is hereby ratified and confirmed. The Refunding Bonds shall, therefore, immediately upon their execution be delivered to the purchaser upon payment for the Refunding Bonds in accordance with such offer.

PASSED by the City Council of the City of Kirkland, Washington, at a regular open public meeting thereof, and APPROVED by the Mayor this 6th day of May, 1974.

CITY OF KIRKLAND, WASHINGTON

By: Robert A. Heine  
Mayor

ATTEST:

Tom A. Alvarado  
Director of Administration  
and Finance, ex officio  
City Clerk

FORM APPROVED:

Ray F. H.  
City Attorney

A G R E E M E N T

THIS AGREEMENT made and entered into as of the 6th day of May, 1974, by and between the CITY OF KIRKLAND, WASHINGTON, a municipal corporation of the State of Washington (the "City"), and THE NATIONAL BANK OF COMMERCE OF SEATTLE, Seattle, Washington (the "Refunding Trustee");

## W I T N E S S E T H:

SECTION 1. Recitals. The City now has outstanding its "Water and Sewer Revenue Bonds, 1968," issued under date of June 1, 1968, in the aggregate principal amount of \$800,000.00 (hereinafter called the "1968 Bonds"), its "Water and Sewer Revenue Bonds, 1970," issued under date of September 1, 1970, in the aggregate principal amount of \$375,000.00 (hereinafter called the "1970 Bonds"), and its "Water and Sewer Revenue Bonds, 1971," issued under date of July 1, 1971, in the aggregate principal amount of \$970,000.00 (hereinafter called the "1971 Bonds") (all of which bonds shall hereinafter sometimes be called the "Outstanding Bonds"). Provision for the refunding of bonds numbered 79 to 200, inclusive, of the 1971 Bonds, in the aggregate principal amount of \$610,000.00, on January 1, 1987, was made in Ordinance No. 2191 of the City by the issuance and sale of its "Water and Sewer Revenue Refunding Bonds, 1972," leaving outstanding and not refunded bonds numbered 7 to 78, inclusive, of such 1971 Bonds in the aggregate principal amount of \$360,000.00. Under the terms of Ordinance No. 1159 pertaining to the 1968 Bonds, the City in the manner provided therein may provide for the refunding prior to maturity of the 1968 Bonds on June 1, 1983, or on any subsequent semiannual

interest payment date, at \$102.00 per each \$100.00 par value thereof, plus accrued interest to date of redemption, reducing \$0.50 per each \$100.00 par value annually to par, plus accrued interest, on or after June 1, 1987. Under the terms of Ordinance No. 2118 pertaining to the 1970 Bonds, the City in the manner provided therein may provide for the refunding prior to maturity of such 1970 Bonds at par plus accrued interest to date of redemption on September 1, 1980, or on any subsequent semiannual interest payment date. Under the terms of Ordinance No. 2156 pertaining to the 1971 Bonds, bonds numbered 7 to 78, inclusive, are not subject to redemption prior to their respective maturity dates. The City by Ordinance No. 2257, passed by the City Council and approved by the Mayor on May 6, 1974, has determined to refund all of such Outstanding Bonds, including the final redemption on June 1, 1987, of all of the 1968 Bonds maturing after June 1, 1987, and the final redemption on September 1, 1980, of all of the 1970 Bonds maturing after September 1, 1980, and the payment of interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987, out of the proceeds of the sale of its "Water and Sewer Revenue Refunding Bonds, 1974" (the "Refunding Bonds"), and other moneys of the City legally available therefor.

SECTION 2. Provisions for Refunding the Outstanding Bonds.

To accomplish the refunding of the Outstanding Bonds, including (1) the payment of the principal of and interest on the 1968 Bonds until June 1, 1987, the call date for such bonds, and the final redemption of such 1968 Bonds on such call date, (2) the payment of the principal of and interest on the 1970 Bonds until September 1, 1980, the call date for such bonds, and the final redemption of such 1970 Bonds on

such call date, (3) the payment of the principal of and interest on bonds numbered 7 to 78, inclusive, of the 1971 Bonds until their respective maturity dates, and (4) the payment of interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987, the City, simultaneously with the delivery of the Refunding Bonds issued pursuant to said Ordinance No. 2257, does hereby agree to irrevocably deposit with the Refunding Trustee in trust for the security and benefit of the holders and owners of the Outstanding Bonds and the Refunding Bonds the sum of \$3,770.86 in cash and certain United States Treasury Bonds, United States Treasury Notes, United States Treasury Bills, and United States Treasury Bonds and United States Treasury Notes commonly called "book entries" with amounts, interest rates and maturities as more particularly set forth in "Exhibit A" attached to this Agreement and by this reference incorporated herein, which securities are hereinafter referred to as "Obligations," and such cash and Obligations, with the investment income therefrom, will be sufficient to provide for (1) the payment of the principal of and interest on the 1968 Bonds until June 1, 1987, the call date for the 1968 Bonds, and the redemption price payable on June 1, 1987, upon the redemption of the 1968 Bonds for bonds maturing after June 1, 1987, (2) the principal of and interest on the 1970 Bonds until September 1, 1980, the call date for the 1970 Bonds, and the redemption price payable on September 1, 1980, upon the redemption of the 1970 Bonds for bonds maturing after September 1, 1980, (3) the principal of and interest on the 1971 Bonds on their respective maturity dates up to and including July 1, 1986, and (4) the interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and

including January 1, 1987.

On or before the delivery of the Refunding Bonds the City agrees that it will cause to be delivered to the Refunding Trustee a statement setting forth (1) the amount of interest and principal to be paid on each semiannual interest payment date on the 1968 Bonds up through June 1, 1987, and the amount of principal required on June 1, 1987, to pay and redeem all then outstanding 1968 Bonds maturing after June 1, 1987, (2) the amount of interest and principal to be paid on each semiannual interest payment date on the 1970 Bonds up through September 1, 1980, and the amount of principal required on September 1, 1980, to pay and redeem all then outstanding 1970 Bonds maturing after September 1, 1980, (3) the amount of interest and principal to be paid on each semiannual interest payment date on bonds numbered 7 to 78, inclusive, of the 1971 Bonds up to and including July 1, 1986, and (4) the amount of interest to be paid on each semiannual interest payment date on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987.

The City by said Ordinance No. 2257 has irrevocably called for redemption or prepayment on June 1, 1987, all of the 1968 Bonds maturing after June 1, 1987, and has irrevocably called for redemption or prepayment on September 1, 1980, all of the 1970 Bonds maturing after September 1, 1980. Such calls for redemption or prepayment shall be irrevocable upon the delivery of the Refunding Bonds. The Refunding Trustee through the Director of Administration and Finance, ex officio City Clerk, of the City shall provide for publication and mailing of the proper notices of such redemption or prepayment in accordance with the applicable provisions of Ordinance No. 1159

pertaining to the 1968 Bonds and with the applicable provisions of Ordinance No. 2118 pertaining to the 1970 Bonds.

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

SECTION 3. Disbursements by the Refunding Trustee. The Refunding Trustee shall present for payment on the due date thereof the Obligations so deposited and shall apply the proceeds derived therefrom in accordance with the provisions of this section.

Moneys shall be transferred by the Refunding Trustee to either fiscal agency of the State of Washington in the Cities of Seattle, Washington, or New York, New York (hereinafter called the "Fiscal Agency"), on behalf of the Director of Administration and Finance of the City in amounts sufficient (1) to pay the interest on and principal of the 1968 Bonds becoming due and payable on or before June 1, 1987, and to pay on June 1, 1987, the redemption price with respect to the 1968 Bonds maturing after June 1, 1987, (2) to pay the interest on and principal of the 1970 Bonds becoming due and payable on or before September 1, 1980, and to pay on September 1, 1980, the redemption price with respect to the 1970 Bonds maturing after September 1, 1980, (3) to pay the interest on and principal of bonds numbered 7 to 78, inclusive, of the 1971 Bonds on or before the respective maturity dates of such bonds up to and including July 1, 1986, and (4) to pay the interest on bonds numbered 79 to 200, inclusive, of the 1971 Bonds up to and including January 1, 1987.

SECTION 4. Nonreinvestment of Funds; Custody and Safekeeping of Obligations. All moneys deposited with the Refunding

Trustee or received by the Refunding Trustee as maturing principal or interest on Obligations prior to the time required to make the payments hereinbefore set forth shall be held by the Refunding Trustee and shall not be reinvested.

All income derived from the Obligations and any moneys deposited with the Refunding Trustee pursuant to Section 2 hereof in the hands of the Refunding Trustee (which moneys are not required to make the payments hereinbefore required to be made) shall be paid to the Fiscal Agency on behalf of the Director of Administration and Finance of the City for the credit of the "Refunding Account" in the "Kirkland Refunding Water and Sewer Revenue Bond Fund, 1974," of the City (hereinafter called the "Refunding Account") as and when realized and collected for use and application as other moneys deposited in said Refunding Account.

For as long as any of the Outstanding Bonds are outstanding, on or before the 10th day of each month, commencing with the month of July, 1974, the Refunding Trustee shall render a statement as of the last day of the preceding month to the Director of Administration and Finance of the City, which statement shall set forth the Obligations which have matured and the amounts received by the Refunding Trustee by reason of such maturity, the amounts paid to the Fiscal Agency on behalf of such Director of Administration and Finance for credit to the Refunding Account, the amount of cash delivered to the Fiscal Agency on behalf of the Director of Administration and Finance of the City, and the dates of such delivery, for the payment of the interest on and principal of the Outstanding Bonds as the same shall become due and/or payable, and the final payment of the redemption price on June



1, 1987, for the 1968 Bonds maturing after June 1, 1987, and the final payment of the redemption price on September 1, 1980, for the 1970 Bonds maturing after September 1, 1980, and any other transactions of the Refunding Trustee pertaining to its duties and obligations as set forth herein.

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

SECTION 5. Duties and Obligations of Refunding Trustee.

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

The Refunding Trustee may consult with counsel of its choice and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or not taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

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

CITY OF KIRKLAND, WASHINGTON

By



Mayor

ATTEST:

Director of Administration and Finance, ex officio City Clerk

THE NATIONAL BANK OF COMMERCE OF SEATTLE

By

Trust Officer

CITY OF KIRKLAND  
Acquired Obligations

<u>AMOUNT</u>	<u>MATURITY DATE</u>	<u>TYPE</u>	<u>COUPON</u>
510000	11/15/86	BONDS	6.125%
85000	6/30/86	BE	7.580%
265000	5/15/85	BONDS	5.250%
20000	8/15/84	BONDS	6.375%
50000	6/30/84	BE	7.350%
80000	5/31/84	BE	7.350%
15000	12/31/83	BE	5.730%
50000	6/30/83	BE	7.340%
15000	5/31/83	BE	5.730%
65000	5/31/83	*BE	7.340%
50000	2/15/82	BONDS	6.375%
15000	8/15/81	BONDS	7.000%
40000	2/15/81	NOTES	7.000%
20000	11/15/80	BONDS	3.500%
230000	5/15/80	NOTES	6.875%
5000	2/15/80	BONDS	4.000%
10000	11/15/79	NOTES	6.625%
40000	8/15/79	NOTES	6.250%
50000	11/15/78	NOTES	6.000%
70000	2/15/78	NOTES	6.250%
45000	8/15/77	NOTES	7.750%
35000	5/15/77	NOTES	6.875%
10000	11/15/76	NOTES	6.250%
30000	8/15/76	NOTES	7.500%
25000	5/15/76	NOTES	5.750%
10000	12/31/75	NOTES	7.000%
30000	8/15/75	NOTES	5.875%
25000	5/15/75	NOTES	6.000%
10000	12/17/74	BILLS	0.000%
20000	8/29/74	BILLS	0.000%
35000	6/27/74	BILLS	0.000%
<u>1960000</u>			

Bonds = United States Treasury Bonds  
Notes = United States Treasury Notes  
Bills = United States Treasury Bills  
BE = United States Treasury Bonds  
and Notes acquired directly  
from the U. S. Treasury  
Department

BOND FORM

No. \_\_\_\_\_

\$5,000.00

UNITED STATES OF AMERICA

STATE OF WASHINGTON

CITY OF KIRKLAND

WATER AND SEWER REVENUE REFUNDING BOND, 1974

6%

KNOW ALL MEN BY THESE PRESENTS: That the City of Kirkland, State of Washington (hereinafter called the "City"), 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 6% per annum, payable on June 1, 1974, and semiannually thereafter on each succeeding December 1 and June 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, 1974" (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 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. 2257 and referred to herein as the "Bond Fund," into which fund the City hereby irrevocably binds itself to pay certain fixed amounts out of the gross revenues of the waterworks utility of the City, including the sewerage system as a part thereof, now belonging to or which may hereafter belong to the City, including all additions, extensions and betterments thereof at any time made or constructed, without regard to any fixed proportion, namely, amounts sufficient to pay the principal of and interest on the bonds of this issue as they respectively become due and to accumulate a reserve, all at the times and in the manner set forth in Ordinance No. 2257.

The gross revenues from the combined water and sewerage systems, comprising the waterworks utility of the City, are hereby pledged to such payment and the bonds of this issue constitute a charge and lien upon such revenues prior and superior to any other charges whatsoever, excluding charges for maintenance and operation, except that the charge and lien upon such revenues for this issue of bonds shall be on a parity with the charge and lien upon such revenues for the outstanding "Water and Sewer Revenue Bonds, 1953," dated May 1, 1953, the outstanding "Water and Sewer Revenue Bonds, 1955," dated July 1, 1955, the outstanding "Water and Sewer Revenue Bonds, 1960," dated April 1, 1960, and subject to the redemption on January 1, 1987, of all remaining outstanding "Water and Sewer Revenue Bonds, 1971," dated July 1, 1971, the outstanding "Water and Sewer Revenue Refunding Bonds, 1972," dated June 1, 1972, and any additional water and sewer revenue bonds which may be hereafter issued on a parity of lien upon such gross revenues for all of said outstanding bonds and the bonds of this issue in accordance with the provisions of Section 10 of Ordinance No. 2156 and Section 16 of Ordinance No. 2257 and, except, further, that the charge and lien upon such gross revenues for the bonds of this issue and such parity bonds shall be junior and inferior to the prior charge and lien upon such gross revenues for the outstanding "Water and Sewer Revenue Bonds, Series B," dated July 1, 1950, 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 gross revenues from such City of Houghton system of sewerage alone for the bonds of this issue and such parity bonds 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.

This bond is one of a total issue of \$1,870,000.00 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., as amended, known as the "Refunding Bond Act" (RCW Chapter 39.53), and Ordinance No. 2257 for the purpose of providing the funds to pay the principal of and interest on certain outstanding "Water and Sewer Revenue Bonds, 1968," dated June 1, 1968, "Water and Sewer Revenue Bonds, 1970," dated September 1, 1970, and "Water and Sewer Revenue Bonds, 1971," dated July 1, 1971, and to refund and retire the remaining outstanding principal amounts of such bonds on certain call dates.

The City has reserved the right to redeem the bonds as a whole, or in part in inverse numerical order, on June 1, 1984, 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, 1984, or December 1, 1984	102%
On June 1, 1985, or December 1, 1985	101%
On June 1, 1986, or thereafter	100% (Par)

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 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. 2257, 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, 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 May, 1974.

CITY OF KIRKLAND, WASHINGTON

By (facsimile signature)  
Mayor

ATTEST:

Director of Administration  
and Finance, ex officio  
City Clerk

INTEREST COUPON

Coupon No. \_\_\_ (\$25.00  
on Coupon  
\$150.00 No. 1)

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, 1974," said sum being the interest then due on its "Water and Sewer Revenue Refunding Bond, 1974," dated May 1, 1974, and numbered \_\_\_\_.

CITY OF KIRKLAND, WASHINGTON

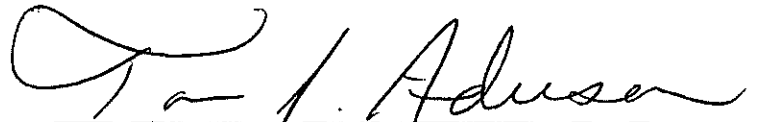
By (facsimile signature)  
Mayor

ATTEST:

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

I, TOM J. ANDERSON, Director of Administration and Finance, ex officio City Clerk, of the City of Kirkland, Washington, do hereby certify that the attached copy of Ordinance No. 2257 is a true and correct copy of the original ordinance passed on the 6th day of May, 1974, as that ordinance appears on the Minute Book of the City.

DATED this 6th day of May, 1974.



TOM J. ANDERSON, Director of  
Administration and Finance,  
ex officio City Clerk.