

CITY OF KIRKLAND, WASHINGTON

ORDINANCE NO. 2870

AN ORDINANCE of the City of Kirkland, Washington, providing for the issuance of \$2,885,000 principal amount of Unlimited Tax General Obligation Refunding Bonds, 1985, of the City for the purpose of providing the funds to refund, pay and retire its outstanding General Obligation Bonds, 1979, and Unlimited Tax General Obligation Bonds, 1984; fixing the date, form, maturities, interest rates, terms and covenants of such refunding bonds; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of such bonds and for the use and application of the money to be derived from such investments; authorizing the execution of an agreement with Seattle-First National Bank of Seattle, Washington, as Refunding Trustee; providing for the payment and redemption of the outstanding bonds to be refunded; and approving the sale and providing for the delivery of such refunding bonds to Boettcher & Company, Inc., of Seattle, Washington.

WHEREAS, the City of Kirkland, Washington (the "City"), now has outstanding the following general obligation bonds:

\$655,000 principal amount of General Obligation Bonds, 1979 (the "1979 Bonds"), dated March 1, 1979, maturing serially on March 1 of each of the years 1986 through 1999, and having various interest rates from 5.35% to 6.00% per annum; and

\$2,245,000 principal amount of Unlimited Tax General Obligation Bonds, 1984 (the "1984 Bonds"), dated November 1, 1984, maturing serially on December 1 of each of the years 1985 through 2001, and having various interest rates from 9.50% to 10.50% per annum,

sometimes collectively referred to herein as the "Outstanding Bonds"; and

WHEREAS, under the provisions of Ordinance No. 2836 authorizing the issuance of the 1984 Bonds and in such bonds, the City reserved the right to redeem any or all of the 1984 Bonds

on or after December 1, 1994, at par plus accrued interest to date of redemption; and

WHEREAS, after due consideration, it appears to the City Council that the Outstanding Bonds may be refunded by the issuance and sale of the bonds authorized herein (the "Bonds") so that a substantial savings will be effected by the difference between the principal and interest costs over the life of the Bonds and the principal and interest requirements over the life of the Outstanding Bonds but for such refunding, which refunding will be effected by:

(a) the issuance of the Bonds; and

(b) the payment of the principal of and interest on the 1979 Bonds as the same shall become due up to and including March 1, 1999; and

(c) the payment of the principal of and interest on the 1984 Bonds as the same shall become due up to and including December 1, 1994, and the payment redemption and retirement on December 1, 1994, of all outstanding 1984 Bonds maturing on December 1 of each of the years 1995 through 2001;

and

WHEREAS, in order to effect such such refunding in the manner that will be most advantageous to the City and its taxpayers, it is found necessary and advisable that certain Acquired Obligations (hereinafter identified), bearing interest and maturing at such times as necessary to accomplish the refunding as aforesaid, be purchased out of the proceeds of the sale of the Bonds and other money of the City legally available therefor; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF KIRKLAND, WASHINGTON, DO
ORDAIN AS FOLLOWS:

Section 1. For the purpose of providing a part of the
money required to:

(a) pay the principal of and interest on the
1979 Bonds as the same shall become due up to and
including March 1, 1999; and

(b) pay the principal of and interest on the
1984 Bonds as the same shall become due up to and
including December 1, 1994, and to redeem and retire
on December 1, 1994, all outstanding 1984 Bonds
maturing on December 1 of each of the years 1995
through 2001,

the City shall issue the Bonds in the aggregate principal amount
of \$2,885,000. The Bonds shall be dated May 15, 1985; shall be
in the denomination of \$5,000 each or any integral multiple
thereof within a single maturity; shall be numbered separately
in the manner and with any additional designation as the Bond
Registrar (collectively, the fiscal agencies of the State of
Washington located in Seattle, Washington and New York, New
York) deems necessary for purpose of identification; shall bear
interest at the rates set forth below, payable on December 1,
1985, and semiannually thereafter on each succeeding June 1 and
December 1; and shall mature and bear interest on June 1 in
years and amounts as follows:

<u>June 1 Maturity Years</u>	<u>Amounts</u>	<u>Interest Rates</u>
1987	\$100,000	6.50%
1988	115,000	7.50
1989	125,000	7.35
1990	135,000	7.70

<u>June 1 Maturity Years</u>	<u>Amounts</u>	<u>Interest Rates</u>
1991	145,000	8.00
1992	160,000	8.20
1993	170,000	8.30
1994	190,000	8.50
1995	205,000	8.70
1996	225,000	8.85
1997	245,000	9.00
1998	265,000	9.10
1999	290,000	9.20
2000	245,000	9.25
2001	270,000	9.25

If any Bond is not redeemed upon proper presentment at its maturity or call date, the City shall be obligated to pay interest at the same rate for each such Bond from and after its maturity or call date until such Bond, both principal and interest, is paid in full or until sufficient money for such payment in full is on deposit in the Bond Fund and such Bond has been called for payment.

Upon surrender thereof to the Bond Registrar, the Bonds may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Such exchange or transfer shall be without cost to the owner or transferee.

The Bonds shall be issued only in registered form as to both principal and interest and recorded in the books and records maintained by the Bond Registrar (the "Bond Register"). The Bond Register shall contain the name and mailing address of

the owner of each Bond and the principal amount and number of Bonds held by each owner.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owners at the addresses appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date or, when requested in writing by a registered owner and approved by the City Director of Administration and Finance, shall be paid on the interest payment date by wire transfer to the account identified by the requesting registered owner whose name, address and wire transfer account number appear on the Bond Register fifteen days preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either office of the Bond Registrar, in Seattle, Washington, and New York, New York, at the option of such owners.

Bonds maturing in the years 1987 through 1995 shall be issued without the right or option of the City to redeem the same prior to their stated maturity. The City reserves the right and option to redeem the Bonds maturing on or after June 1, 1996, as a whole, or in part in inverse order of maturity (and by lot within a maturity in such manner as the Bond Registrar shall determine), on June 1, 1995, and on any interest payment date thereafter, at par, plus accrued interest to the date of redemption. Portions of the principal amount of

any Bond, in installments of \$5,000 or any integral multiple of \$5,000, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond or Bonds, at the option of the registered owner, of like maturity and interest rate in any of the denominations authorized by this ordinance.

Notice of any such intended redemption shall be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register. The requirements of this section shall be deemed to be complied with when notice is mailed as herein provided, whether or not it is actually received by the owner of any Bond. The interest on the Bonds so called for redemption shall cease on the date fixed for redemption unless such Bond or Bonds so called are not redeemed upon presentation made pursuant to such call. In addition, such redemption notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, or their successors, and to Seattle-First National Bank in Seattle, Washington, or its successor, but such mailing shall not be a condition precedent to the redemption of such Bonds.

The City further reserves the right to purchase any or all of the Bonds in the open market at any price acceptable to the City plus accrued interest to date of such purchase.

Section 2. The City irrevocably pledges to levy taxes annually for as long as any of the Bonds is outstanding without limitation as to rate or amount on all the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay the principal of and interest on the Bonds as the same shall accrue, and the full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 3. The Bonds shall be printed on lithographed or good bond paper in a form consistent with the provisions of this ordinance and state law, shall be signed by the Mayor and City Director of Administration and Finance, ex officio City Clerk, both of whose signatures shall be in facsimile, and a facsimile reproduction of the seal of the City shall be printed thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the following form, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This bond is one of the fully registered City of Kirkland, Washington, Unlimited Tax General Obligation Refunding Bonds, 1985, described in the within mentioned Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond RegistrarBy _____
Authorized Signature

Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

In case either or both of the officers who shall have executed the Bonds shall cease to be such officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar or issued by the City, such Bonds nevertheless may be authenticated, delivered and issued and upon such authentication, delivery and issue, shall be as binding upon the City as though those whose facsimile signatures appear on the Bonds had continued to be such officers of the City. Any Bond also may be signed on behalf of the City by such persons as at the actual date of execution of such Bond shall be proper officers of the City authorized to execute Bonds although on the original date of such Bond such persons were not such officers of the City.

Section 4. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the City.

The Bond Registrar shall be responsible for its representations contained in the Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 5. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 6. There is created and established in the office of the City Director of Administration and Finance a special fund to be known and designated as the Unlimited Tax General Obligation Refunding Bond Fund, 1985 (the "Bond Fund"). The proceeds of the sale of the Bonds and the premium, exclusive of the accrued interest thereon which shall be paid into the Bond Fund, shall be used immediately upon the receipt thereof, together with the amount of \$186,721.44 from the General Obligation Bond Fund, 1979 (the "1979 Bond Fund") and the Unlimited Tax General Obligation Bond Fund, 1984 (the "1984 Bond Fund") (which amount may be increased or decreased as required when the exact purchase price of the Acquired Obligations is ascertained), to discharge to the extent practicable the obligations of the City under Ordinance No. 2420, as amended by Ordinance No. 2438, authorizing the 1979 Bonds, and Ordinance No. 2836 authorizing the 1984 Bonds, by providing for the payment of the

principal of and interest on the Outstanding Bonds as herein-
after set forth. Money or investments remaining in the 1979 and
1984 Bond Funds shall be transferred to the Bond Fund and
expended for the payment of the interest on or principal of the
Bonds first coming due. To the extent practicable, the City
shall discharge fully such obligations by the purchase of United
States Treasury Certificates of Indebtedness, Notes and/or Bonds
- State and Local Government Series (the "Acquired Obliga-
tions"), bearing such interest and maturing as to principal and
interest in such amounts and at such times so as to provide,
together with the beginning cash balance, for the:

(a) payment of the principal of and interest on
the 1979 Bonds as the same shall become due up to and
including March 1, 1999; and

(b) payment of the principal of and interest on
the 1984 Bonds as the same shall become due up to and
including December 1, 1994, and the payment, redemp-
tion and retirement on December 1, 1994, of all
outstanding 1984 Bonds maturing on December 1 of each
of the years 1995 through 2001.

The Acquired Obligations are more particularly described
and are set forth in Schedule A attached to the Refunding Trust
Agreement hereinafter referred to and attached hereto as Exhibit
A.

The Acquired Obligations and the beginning cash balance of
\$134,054.78 shall be deposited irrevocably with Seattle-First
National Bank (the "Refunding Trustee"). The City reserves the
right to substitute other direct United States obligations for
any of the Acquired Obligations and to use any savings created

thereby for any lawful City purpose if, in the opinion of Roberts & Shefelman, the City's bond counsel, the Bonds will remain exempt from federal income taxation under Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder, and if such substitution shall not impair the timely payment of the principal of or interest on the Outstanding Bonds.

Section 7. The City calls for redemption on December 1, 1994, all of the outstanding 1984 Bonds maturing on December 1 of each of the years 1995 through 2001, at par plus accrued interest to the date of such redemption.

Such call for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof.

The City Director of Administration and Finance and the Refunding Trustee are authorized and directed to give notice of the redemption of the 1984 Bonds in accordance with the provisions of Ordinance No. 2836.

The Refunding Trustee is authorized and directed to pay the principal of and interest on the Outstanding Bonds from the Acquired Obligations and money deposited with the Refunding Trustee pursuant to the previous section of this ordinance. All Acquired Obligations and the money deposited with the Refunding Trustee and any income therefrom shall be held, invested and applied in accordance with the provisions of Ordinances Nos.

2420, as amended by Ordinance No. 2438, and 2836, this ordinance, Chapter 39.53 RCW and other applicable statutes of the State of Washington.

All necessary and proper fees, compensation and expenses of the Refunding Trustee for the Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Outstanding Bonds and costs related to the issuance and delivery of the Bonds including bond printing, rating service fees, bond counsel's fees and other related expenses shall be paid out of the proceeds of the Bonds.

The Mayor and City Director of Administration and Finance of the City are directed to obtain from the Refunding Trustee a Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption and retirement of the Outstanding Bonds as provided herein and stating that such provisions for the payment of the fees, compensation and expenses of such Refunding Trustee are satisfactory to it.

In order to carry out the purposes of the preceding section of this ordinance the Mayor and City Director of Administration and Finance of the City are authorized and directed to execute a Refunding Trust Agreement substantially in the form attached hereto marked Exhibit A and by this reference made a part hereof.

Section 8. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have money available from any other lawful source, to pay the

principal of and interest on the 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 of refunding, and shall have set aside irrevocably in a special fund for and pledged to such payment and refunding money and/or direct obligations of the United States of America or other legal investments sufficient in amount, together with known earned income from the investments thereof, to make such payments and to accomplish the refunding as scheduled (hereinafter called the "trust account"), and shall make irrevocable provision for redemption of such Bonds, then in that case all right and interest of the owners of the Bonds to be so retired or refunded (hereinafter collectively called the "defeased Bonds") in the covenants of this ordinance and, except as hereinafter provided, in the funds and accounts obligated to the payment of such Bonds shall thereafter cease and become void. Such owners shall thereafter have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account and, in the event the funds in the trust account are not available for such payment, shall have the right to receive payment of the principal of and interest on the defeased Bonds from the funds and accounts obligated to the payment of such Bonds. Anything herein to the contrary notwithstanding, the pledge of the full faith and credit of the City to the payment of the Bonds shall remain in full force and effect after the establishing and full funding of such trust account.

Subject to the rights of the owners of Bonds, the City may then apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine.

Section 9. Boettcher & Company, Inc., of Seattle, Washington, has presented a Bond Purchase Agreement (the "Purchase Contract") to the City whereunder Boettcher & Company, Inc., has offered to purchase the Bonds under the terms and conditions provided in the Purchase Contract and to purchase on behalf of the City the Acquired Obligations at the prices specified in Schedule A of Exhibit A (subject to substitution), which written Purchase Contract is on file with the City Director of Administration and Finance and is incorporated herein by this reference. The City Council finds that entering into the Purchase Contract is in the City's best interest and therefore accepts the offer contained in the Purchase Contract and authorizes the execution of the Purchase Contract by City officials.

The Bonds will be printed at City expense and will be delivered to the purchaser in accordance with the Purchase Contract offer with the approving legal opinion of Roberts & Shefelman, municipal bond counsel of Seattle, Washington, relative to the issuance of the bonds, printed on each bond. Bond counsel shall not be required to review or express any opinion concerning the completeness or accuracy of any official statement, offering circular or other sales material issued or

used in connection with the Bonds and bond counsel's opinion shall so state.

The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 10. This ordinance shall take effect from and after its passage and five (5) days after its publication as required by law.

PASSED by the City Council and APPROVED by the Mayor of the City of Kirkland, Washington, at a regular open public meeting thereof, this 6th day of May, 1985.

CITY OF KIRKLAND, WASHINGTON

Doris Coopes
MAYOR

ATTEST:

Tam J. Johnson
Director of Administration and Finance, ex officio City Clerk

FORM APPROVED:

By *Neil Howard*
Acting City Attorney

I hereby certify under penalty of perjury that the foregoing ordinance was posted on the 8th day of May, 1985 in accordance with the provisions of RCW 35A.12.160 and City of Kirkland Ordinance No. 2600.

Janice Perry
Deputy City Clerk

1718k

EXHIBIT AREFUNDING TRUST AGREEMENT

THIS AGREEMENT made and entered into as of the _____ day of May, 1985, by and between the CITY OF KIRKLAND, WASHINGTON (the "City"), and SEATTLE-FIRST NATIONAL BANK, Seattle, Washington (the "Refunding Trustee");

W I T N E S S E T H:

SECTION 1. Recitals. The City has outstanding the following general obligation bonds:

\$655,000 principal amount of General Obligation Bonds, 1979 (the "1979 Bonds"), dated March 1, 1979, maturing serially on March 1 of each of the years 1986 through 1999, and having various interest rates from 5.35% to 6.00% per annum; and

\$2,245,000 principal amount of Unlimited Tax General Obligation Bonds, 1984 (the "1984 Bonds"), dated November 1, 1984, maturing serially on December 1 of each of the years 1985 through 2001, and having various interest rates from 9.50% to 10.50% per annum,

(sometimes collectively referred to herein as the "Outstanding Bonds") and, pursuant to Ordinance No. _____ (the "Refunding Bond Ordinance") the City has determined to:

(a) pay the principal of and interest on the 1979 Bonds as the same shall become due up to and including March 1, 1999; and

(b) pay the principal of and interest on the 1984 Bonds as the same shall become due up to and including December 1, 1994, and to redeem and retire on December 1, 1994, all outstanding 1984 Bonds maturing on December 1 of each of the years 1995 through 2001,

out of the proceeds of the sale of its Unlimited Tax General Obligation Refunding Bonds, 1985 (the "Refunding Bonds"), and other City money legally available therefor.

SECTION 2. Provisions for Refunding the Outstanding

Bonds. To accomplish the refunding of all of the Outstanding Bonds as aforesaid, the City, simultaneously with the delivery of the Refunding Bonds issued pursuant to the Refunding Bond Ordinance, agrees to deposit irrevocably 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 \$134,054.78 in cash and certain Acquired Obligations with amounts, interest rates and maturities as more particularly set forth in Schedule A attached to this Agreement and by this reference incorporated herein, which securities hereinafter are referred to as Acquired Obligations. Such cash and Acquired Obligations, with the investment income therefrom, will be sufficient to provide the funds required to:

(a) pay the principal of and interest on the 1979 Bonds as the same shall become due up to and including March 1, 1999; and

(b) pay the principal of and interest on the 1984 Bonds as the same shall become due up to and including December 1, 1994, and to redeem and retire on December 1, 1994, all outstanding 1984 Bonds maturing on December 1 of each of the years 1995 through 2001.

The City reserves the right to substitute other direct United States obligations for any of the Acquired Obligations if, in the opinion of Roberts & Shefelman, the Refunding Bonds will remain exempt from Federal income taxation under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable regulations thereunder, and if such substitution

shall not impair the timely payment of principal of or interest on the 1979 Bonds up through March 1, 1999, and the 1984 Bonds up through December 1, 1994, and the amount of principal required to pay and redeem the 1984 Bonds to be called prior to maturity on their call date.

SECTION 3. Provisions Applicable to Refunding. On or before the delivery of the Refunding Bonds, the City agrees that it will cause to be delivered to the Refunding Trustee a statement setting forth the amount of interest and principal to be paid on each semiannual interest payment date on the 1979 Bonds up through their maturity dates and the 1984 Bonds up through December 1, 1994, and the amount of principal required to pay and redeem the 1984 Bonds to be called prior to maturity on their call date.

In the Refunding Bond Resolution, the City irrevocably has called for redemption or prepayment all of the 1984 Bonds to be called as above set forth on their call date. Such call for redemption or prepayment shall be irrevocable upon the delivery of the Refunding Bonds. The Refunding Trustee, in conjunction with the City Director of Administration and Finance, shall provide for publication and mailing of the proper notices of such redemption or prepayments in accordance with the applicable provisions of Ordinance No. 2836 pertaining to such 1984 Bonds.

Irrevocable provision for the giving of such notices of redemption or prepayment has been made by the City.

SECTION 4. Disbursements by Refunding Trustee. The Refunding Trustee shall present for payment on the due date thereof the Acquired Obligations so deposited and shall apply the proceeds derived therefrom in accordance with the provisions of this section.

Money shall be transferred by the Refunding Trustee to the City Director of Administration and Finance, or to either fiscal agency of the State of Washington in Seattle, Washington, or New York, New York (the "Fiscal Agent"), in amounts sufficient to pay the interest on and principal of the Outstanding Bonds coming due and payable on or before each payment date.

SECTION 5. Restrictions on Reinvestment of Funds; Custody and Safekeeping of Acquired Obligations. All money deposited with the Refunding Trustee or received by the Refunding Trustee as maturing principal or interest on Acquired Obligations prior to the time required to make the payments hereinbefore set forth shall be reinvested in United States Treasury Certificates of Indebtedness, Notes and/or Bonds -- State and Local Government Series, bearing interest at a rate of 0%. Subscriptions for the purchase of such obligations shall be filed with the Federal Reserve Bank at least 20 days (but not more than 60 days) prior to the actual date of purchase, or at such time as may be required by the then applicable rules and regulations relating to the purchase of such obligations.

All income derived from the Acquired Obligations and any money deposited with the Refunding Trustee pursuant to Section 2

hereof in the hands of the Refunding Trustee (which money is not required to make the payments hereinbefore required to be made) shall be paid to the City Director of Administration and Finance or Fiscal Agent for the credit of the Unlimited Tax General Obligation Refunding Bond Fund, 1985, of the City (the "Bond Fund") as and when realized and collected for use and application as other money deposited in such Bond Fund.

For as long as any of the Outstanding Bonds is outstanding, on or before the 10th day of every month, commencing with the month of June, 1985, the Refunding Trustee shall render a statement as of the last day of the preceding month to City, which statement shall set forth the Acquired Obligations which have matured and the amounts received by the Refunding Trustee by reason of such maturity, the investment income received from such Acquired Obligations, the amounts paid to the City or Fiscal Agent for credit to the Bond Fund and the dates of such payment for the payment of the interest on and principal of the outstanding 1979 Bonds and the 1984 Bonds until December 1, 1994, the final payment of the redemption price on the call date of the outstanding 1984 Bonds to be called and any other transactions of the Refunding Trustee pertaining to its duties and obligations as set forth herein.

All Acquired Obligations, money and investment income deposited with or received by the Refunding Trustee pursuant to this Agreement shall be subject to the trust created by this

Agreement and the Refunding Trustee shall be liable for the preservation and safekeeping thereof.

SECTION 6. Substituted Securities. Notwithstanding the foregoing or any other provision of this Agreement, at the request of the City and upon compliance with the conditions hereinafter stated, the Refunding Trustee shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of any or all of the Acquired Obligations held hereunder and to substitute therefor direct obligations of the United States of America, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to pay the principal of and interest on the outstanding Outstanding Bonds, whether at maturity or upon the redemption thereof. The City covenants and agrees that it will not request the Refunding Trustee to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the regulations thereunder in effect on the date of such request and applicable to obligations issued on the issue date of the Refunding Bonds. The Refunding Trustee shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Acquired Obligations held

hereunder or from other money available. The transactions may be effected only if there shall have been obtained at the expense of the City: (1) an independent verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee concerning the adequacy of such substituted securities with respect to the principal of and the interest thereon and any other money or securities held for such purpose to pay the principal and interest on the outstanding Outstanding Bonds, whether at maturity or upon the redemption thereof; and (2) an opinion from Roberts & Shefelman, bond counsel to the City, to the City to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable to the Refunding Bonds, cause the interest on the Refunding Bonds not to be exempt from Federal income taxation and that such disposition and substitution or purchase is not inconsistent with the statutes and regulations applicable to the Refunding Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations held hereunder and the substitutions therefor of direct obligations of the United States of America, shall be released from the trust estate and shall be transferred to the City.

SECTION 7. Duties and Obligations of Refunding Trustee.

The duties and obligations of the Refunding Trustee shall be as

SEATTLE-FIRST NATIONAL BANK

By _____
Trust Officer

1721k

SCHEDULE A

ACQUIRED OBLIGATIONS

<u>TYPE*</u>	<u>PAR AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>
LC	\$ 12,600.00	.0000%	9/1/85
LC	56,100.00	.0000	12/1/85
LC	36,900.00	.0000	3/1/86
LN	20,800.00	.0000	6/1/86
LN	5,900.00	.0000	9/1/86
LN	80,900.00	.0000	12/1/86
LN	40,900.00	.0000	3/1/87
LN	17,800.00	.0000	6/1/87
LN	4,900.00	.0000	9/1/87
LN	87,700.00	.0000	12/1/87
LN	39,900.00	.0000	3/1/88
LN	14,100.00	.0000	6/1/88
LN	3,800.00	.0000	9/1/88
LN	89,200.00	.0000	12/1/88
LN	38,800.00	.0000	3/1/89
LN	10,200.00	.0000	6/1/89
LN	2,900.00	.0000	9/1/89
LN	95,200.00	.0000	12/1/89
LN	42,900.00	.0000	3/1/90
LN	5,900.00	.0000	6/1/90
LN	1,800.00	.0000	9/1/90
LN	95,900.00	.5045	12/1/90
LN	41,800.00	10.9603	3/1/91
LN	1,500.00	11.0009	6/1/91
LN	3,000.00	11.0309	9/1/91
LN	101,600.00	11.0706	12/1/91
LN	48,200.00	11.1003	3/1/92
LN	2,100.00	11.1300	6/1/92
LN	4,600.00	11.1500	9/1/92
LN	112,200.00	11.1600	12/1/92
LN	49,900.00	11.1700	3/1/93
LN	2,800.00	11.1709	6/1/93
LN	6,400.00	11.1900	9/1/93
LN	123,000.00	11.1900	12/1/93
LN	56,700.00	11.2000	3/1/94
BD	15,000.00	13.1250	5/15/94
N	221,000.00	.0000	11/15/94
LN	1,282,000.00	11.2100	12/1/94
BD	71,000.00	.0000	2/15/95
BD	.00	.0000	11/15/95
BD	67,000.00	.0000	2/15/96
BD	.00	.0000	11/15/96
BD	69,000.00	.0000	2/15/97
BD	70,000.00	.0000	2/15/98
LB	1,300.00	11.3200	9/1/98
BD	66,000.00	.0000	2/15/99

*LC - SLGS Certificates of Indebtedness

LN - SLGS Notes

BD - U.S. Treasury Bonds

N - U.S. Treasury Notes

LB - SLGS Bonds