

ORDINANCE NO. 3712

AN ORDINANCE OF THE CITY OF KIRKLAND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY IN THE PRINCIPAL AMOUNT OF \$1,025,000 FOR THE PURPOSE OF CONSTRUCTING A TEEN CENTER FOR THE CITY; PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF SAID BONDS AND FOR LIMITED TAX LEVIES TO PAY THE PRINCIPAL THEREOF AND INTEREST THEREON; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE; AND APPROVING THE SALE OF SUCH BONDS.

WHEREAS, the City Council of the City of Kirkland, Washington (the "City") deems it necessary and in the best interest of the citizens of the City to construct a Teen Center for use by the inhabitants of the City (the "Project"); and

WHEREAS, in order to provide the funds necessary to pay the costs of the Project and the costs of issuance, the City now desires to authorize the issuance of limited tax levy general obligation bonds in the principal amount of \$1,025,000; and

WHEREAS, it is necessary that the date, form, terms and maturities of such general obligation bonds be fixed; and

WHEREAS, it is deemed in the best interest of the City that such bonds be sold pursuant to negotiated sale as herein provided; and

WHEREAS, the City has received the offer from U.S. Bancorp Piper Jaffray Inc., Seattle, Washington to underwrite such general obligation bonds at terms acceptable to this City Council;

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

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

Bond Fund means the City of Kirkland Limited Tax General Obligation Bond Redemption Fund, 1999 created pursuant to Section 9 of this ordinance.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means, initially, the fiscal agency of the State of Washington in either Seattle, Washington or New York, New York, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

Bonds means the \$1,025,000 principal amount of the City of Kirkland, Washington Limited Tax General Obligation Bonds, 1999 issued pursuant to this ordinance for the purpose of paying costs authorized by Section 2 hereof.

Bond Year means each one-year period that ends on the date selected by the City. The first and last Bond Years may be short periods. If no day is selected by the City before the earlier of the final maturity date of the Bonds or the date that is five years after the date of issuance of the Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

City means the City of Kirkland, Washington, a municipal corporation of the State of Washington.

Code means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

Council means the City Council as the general legislative authority of the City, as the same shall be duly and regularly constituted from time to time.

Director of Finance means the Director of Finance of the City.

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

Government Obligations means those obligations now or hereafter defined as such in chapter 39.53 RCW.

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

Net Proceeds, when used with reference with the Bonds, means the principal amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount.

NRMSIR means a nationally recognized municipal securities information repository.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the

Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

Project has the meaning given such terms in Section 2 of this ordinance.

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

Underwriter means U.S. Bancorp Piper Jaffray Inc., Seattle, Washington.

Section 2. Authorization of Project. The Bonds are being issued to provide financing for the construction of a Teen Center for the City (the "Project") and to pay costs of issuance of the Bonds. The estimated cost of the Project is \$1,200,000 which will be paid with the proceeds of the Bonds and additional funds from the City. If the Council shall determine that it has become impractical to construct any portion of the Project by reason of changed conditions, or costs substantially in excess of the estimated cost indicated above, the City shall not be required to construct or equip such portions of the Project. If all of the Project has been constructed or acquired or duly provided for, or found to be impractical, the Council may apply the bond proceeds or any portion thereof to the redemption of the Bonds or to other capital purposes as the Council, in its discretion, shall determine.

Section 3. Authorization of Bonds and Bond Details. The City hereby authorizes the issuance and sale of the Bonds in the aggregate principal amount of \$1,025,000 to provide the

funds necessary to pay the costs of the Project and pay costs of issuance. The Bonds shall be general obligations of the City, shall be designated "City of Kirkland, Washington, Limited Tax General Obligation Bonds, 1999"; shall be dated as of November 1, 1999; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest from their date at the following per annum rates, payable on June 1, 2000, and semiannually thereafter on the first days of each succeeding December and June and shall mature on December 1 of the following years in the following principal amounts:

Maturity Years (December 1)	Principal Amounts	Interest Rates
2001	\$ 35,000	4.30 %
2002	35,000	4.45
2003	35,000	4.60
2004	40,000	4.70
2005	40,000	4.80
2006	40,000	4.95
2007	45,000	5.05
2008	45,000	5.15
2009	50,000	5.25
2010	50,000	5.35
2011	55,000	5.45
2012	55,000	5.55
2013	60,000	5.65
2014	65,000	5.75
2015	65,000	5.80
2016	70,000	5.85
2017	75,000	5.90
2018	80,000	5.95
2019	85,000	6.00

Section 4. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its principal corporate trust office. The Bond Registrar may be removed at any time at the option of the City upon prior notice to the Bond Registrar, DTC, each NRMSIR and SID, if any, and a successor Bond Registrar appointed by the City. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 13 of this ordinance), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4 hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 4 shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City shall execute and deliver to DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

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

(d) *Use of Depository.*

(i) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date.

Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Director of Finance pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

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

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

(iv) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Director of Finance determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully-immobilized form. The Council shall

deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Council to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

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

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond

Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

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

(h) *Place and Medium of Payment.* 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 calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

Section 5. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds maturing in the years 2001 through 2009, inclusive, are not subject to redemption prior to maturity. The Bonds maturing on or after December 1, 2010 are subject to redemption at the option of the City in whole or in part at any time on or after December 1, 2009 (maturities to be selected by the City) at a price of par plus accrued interest, if any, to the date of redemption.

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

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this subsection (c). If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of the such Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption.*

(i) Official Notice. For so long as the Bonds are held in uncertificated form, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner hereinafter provided.

Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption shall be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

On or prior to any redemption date, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(ii) Effect of Notice; Bonds Due. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the

redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same maturity and series in the amount of the unpaid principal. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

(iii) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 35 days before the redemption date to each NRMSIR, the SID, if any, and to the Underwriter or to its business successor, if any, and to such persons (including securities repositories who customarily at the time receive notices of redemption in accordance with rules promulgated by the SEC) and with such additional information as the City shall deem

appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

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

Section 6. Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON
CITY OF KIRKLAND, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND, 1999

INTEREST RATE: % MATURITY DATE: CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The City of Kirkland, Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from November 1, 1999, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on June 1, 2000, and semiannually thereafter on the first days of each succeeding December and June. Both principal of and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to The Depository Trust Company ("DTC"). Principal shall be paid as provided in the Letter of Representations to the Registered Owner or assigns upon presentation and surrender of this bond at the principal office of the fiscal agencies of the State of Washington in either Seattle, Washington or New York, New York (collectively, the "Bond Registrar").

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. 3712 duly

passed by the City Council on October 19, 1999 (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar or its duly designated agent.

This bond is one of an authorized issue of bonds of like date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of \$1,025,000 and is issued pursuant to the Bond Ordinance for providing funds to pay part of the cost of the Project and cost of issuance.

The bonds of this issue maturing on and prior to December 1, 2009 are not subject to redemption prior to their stated maturities. The bonds of this issue maturing on and after December 1, 2010 are subject to redemption at the option of the City on and after December 1, 2009 in whole or in part on any date (with maturities to be selected by the City), at a price of par plus accrued interest to the date of redemption.

The City hereby irrevocably covenants and agrees with the owner of this bond that it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to cities without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The City hereby designates the Bonds as "qualified tax-exempt obligations" for investment by financial institutions under Section 265(b) of the Code.

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

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Kirkland, Washington has caused this bond to be executed by the manual or facsimile signatures of the Mayor and City Clerk and the seal of the City imprinted or impressed hereon as of this first day of November, 1999.

CITY OF KIRKLAND, WASHINGTON

By /s/ manual or facsimile
Mayor

ATTEST:

 /s/ manual or facsimile
City Clerk

[SEAL]

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Limited Tax General Obligation Bonds, 1999 of the City of Kirkland, Washington, dated November 1, 1999.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____

Section 7. Execution of Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk of the City Council and the seal of the City impressed, imprinted or reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. 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 of the officers who shall have executed the Bonds shall cease to be an 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 may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may also be signed and attested on behalf of the City by such persons who are at the actual date of delivery of such Bond are the proper officers of the City although at the original date of such Bond any such person shall not have been such officer of the City.

Section 8. Tax Covenants. The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds.

(a) *Arbitrage Covenant.* Without limiting the generality of the foregoing, the City covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bonds or any other funds of the City which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the dates of delivery of the Bonds to the initial purchasers thereof, would have caused the Bonds to be treated as "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

The City represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon. The City will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Bonds.

(b) *Private Person Use Limitation for Bonds.* The City covenants that for as long as the Bonds are outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bonds to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The City further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this ordinance or any underlying arrangement) directly or indirectly:

(A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or

(B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the project described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the Project, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the project to which the Private Person Use of such portion of the Project relate. The City further covenants that it will comply with any limitations on the use of the Project by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(c) *Designation under Section 265(b).* The City hereby designates the Bonds as "qualified tax-exempt obligations" for investment by financial institutions under Section 265(b) of the Code. The City does not anticipate that it will issue more than \$10,000,000 in qualified tax-exempt obligations during 1999.

(d) *Modification of Tax Covenants.* The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds. To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the City's bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on any Bonds.

Section 9. Creation of Bond Fund and Provision for Tax Levy Payments. A special fund of the City known as the "City of Kirkland Limited Tax General Obligation Bond Redemption Fund, 1999" (the "Bond Fund"), is hereby authorized and directed to be created in the office of the Director of Finance of the City. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Bonds.

The City hereby irrevocably covenants for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and levy an ad valorem tax, within and as a part of the tax millage levy permitted to cities without a vote of the people, upon all the property within the City subject to taxation in an amount which will be sufficient to pay the principal of and interest on the Bonds as the same shall become due. All of such taxes and any of such other money so collected shall be paid into the Bond Fund. None of the money in the Bond Fund shall be used for any other purpose than the payment of the principal of and interest on the Bonds. Money in the Bond Fund not needed to pay the interest or principal next coming due may temporarily be deposited in such institutions or invested in such obligations as may be lawful for the investment of City money. Any interest or profit from the investment of such money shall be deposited in the Bond Fund.

The City hereby irrevocably pledges that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

Section 10. Defeasance. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

The City shall give written notice of defeasance to the owners of all Bonds so provided for within 30 days of the defeasance and to the SID, if any, and to each NRMSIR or to the MSRB in accordance with Section 13.

Section 11. Sale of Bonds. The Bonds shall be sold by negotiated sale to the Underwriter, under the terms and conditions thereof as provided in its purchase offer and in this ordinance.

The Mayor and the Finance Director of the City are hereby authorized to review and approve on behalf of the City the preliminary and final Official Statements relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them. The Preliminary Official Statement for the Bonds, dated October 4, 1999, is hereby deemed final for the purposes of Securities and Exchange Commission Rule 15c2-12.

The Director of Finance and other City officials, agents and representative are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale of the Bonds.

Section 12. Undertaking to Provide Ongoing Disclosure.

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

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2000 for the fiscal year ended December 31, 1999):

1. Annual financial statements prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the official statement under the headings, "Comparative General Fund Statement of Revenues" and "Expenditures and Changes in Fund Balances";

2. The assessed valuation of taxable property in the City;
3. Ad valorem taxes due and percentage of taxes collected;
4. Property tax levy rate per \$1,000 of assessed valuation; and
5. Outstanding general obligation debt of the City.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before seven months after the end of the City's fiscal year. The City's current fiscal year ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIR, the SID or to the SEC and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to each then existing NRMSIR and the SID, if any.

(c) *Material Events.* The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

- Modifications to the rights of owners;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856;
- Defeasances;
- Release, substitution or sale of property, if any, securing repayment of the Bonds, and
- Rating changes.

Solely for purposes of information, but without intending to modify this undertaking with respect to the notice regarding property securing the repayment of the Bonds, the City will state in its preliminary and final official statements that there is no property securing the repayment of the Bonds.

(d) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of its failure to provide the annual financial information described in Subsection (b) above on or prior to the data set forth in subsection (b) above.

(e) *Termination/Modification.* The City's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this section.

Notwithstanding any other provision of this section, the City may amend this Section 12, and any provision of this Section 13 may be waived with an approving opinion of nationally recognized bond counsel.

In the event of any amendment or waiver of a provision of this Section 12, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (c), and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) *Bond Owner's Remedies Under This Section.* The right of any Bond Owner or Beneficial Owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder. For purposes of this section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

(g) *Additional Information.* Nothing in this Section 12 shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Section 12 or any other means of communication, or including any other information

in any annual report or notice of occurrence of a material event, in addition to that which is required by this Section 12. If the City chooses to include any information in any annual disclosure report or notice of the occurrence of a material event in addition to that specifically required by this Section 13, the City shall have no obligation under this ordinance to update such information or to include it in any future annual report or notice of occurrence of a material event.

Section 13. Project Fund: Application of Proceeds of Bonds. A special fund of the City known as the "City of Kirkland Project Fund, 1999" (the "Project Fund") is hereby created in the office of the Director of Finance of the City. The Project Fund shall be used to pay the costs of the Project described in Section 2.

At the time of delivery of the Bonds, the proceeds of the Bonds shall be deposited as follows:

(a) The accrued interest, if any, to the date of delivery shall be deposited to the Bond Fund and used to pay a portion of interest on the Bonds on coming due on June 1, 2000.

(b) The remaining proceeds shall be deposited into the Project Fund and used to pay the costs of the improvements described in Section 2 hereof and all costs incidental thereto and to the issuance of the Bonds.


Money remaining in the Project Fund after all of such costs have been paid or reimbursed, or the Council determines not to construct portions of such Project, may be used to pay costs of other legally authorized capital expenditures of the City or shall be deposited in the Bond Fund. Money in the Project Fund may be invested as permitted by law. All interest earned and profits derived from such investments shall be retained in and become a part of the Project Fund or deposited into the Bond Fund.

Section 14. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City in connection therewith and upon his/her filing with the City evidence satisfactory to the City that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City with indemnity satisfactory to the City.

Section 15. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.


ADOPTED by the City Council of the City of Kirkland, Washington, at a regular meeting thereof held this 19th day of October, 1999.

CITY OF KIRKLAND, WASHINGTON




 Mayor

ATTEST:



 City Clerk

Approved as to Form:



 City Attorney

CERTIFICATE

I, the undersigned, City Clerk of the City Council, of the City of Kirkland, Washington (the "City") and keeper of the records of the City Council (the "City Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance is a true and correct copy of Ordinance No. 3712 of the City Council (the "Ordinance"), duly adopted at a regular meeting thereof held on the 19th day of October, 1999.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of October, 1999.



City Clerk

City of Kirkland
Ordinance No. 3712, Passed October 19, 1999
Providing for the issuance of Limited Tax General Obligation Bonds, 1999
in the aggregate principal amount of \$1,025,000

AN ORDINANCE OF THE CITY OF KIRKLAND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY IN THE PRINCIPAL AMOUNT OF \$1,025,000 FOR THE PURPOSE OF CONSTRUCTING A TEEN CENTER FOR THE CITY; PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF SAID BONDS AND FOR LIMITED TAX LEVIES TO PAY THE PRINCIPAL THEREOF AND INTEREST THEREON; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE; AND APPROVING THE SALE OF SUCH BONDS.

Section 1 defines terms used throughout Ordinance No. 3712.

Section 2 authorizes and describes the project that will be completed with bond proceeds.

Section 3 authorizes the issuance of the bonds and provides bond details including the maturity years, principal amounts and interest rates as follows:

<u>Maturity Years</u> <u>(December 1)</u>	<u>Principal</u> <u>Amounts</u>	<u>Interest</u> <u>Rates</u>
2001	\$ 35,000	4.30 %
2002	35,000	4.45
2003	35,000	4.60
2004	40,000	4.70
2005	40,000	4.80
2006	40,000	4.95
2007	45,000	5.05
2008	45,000	5.15
2009	50,000	5.25
2010	50,000	5.35
2011	55,000	5.45
2012	55,000	5.55
2013	60,000	5.65
2014	65,000	5.75
2015	65,000	5.80
2016	70,000	5.85
2017	75,000	5.90
2018	80,000	5.95
2019	85,000	6.00

Section 4 describes the terms for registration and exchange of the bonds as well as the place and medium of the principal of and interest on the bonds.

Section 5 describes the terms under which the bonds may be purchased prior to their scheduled maturities. The bonds maturing on and prior to December 1, 2009 may not be called for redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2010 may be called for redemption on and after October 1, 2009. Additionally, this section describes the notice provisions for calling the Bonds prior to their stated maturities.

Section 6 provides the form of the bonds.

Section 7 authorizes the bonds to be signed by the Mayor and the City Clerk of the City.

Section 8 describes that the bonds will remain tax-exempt, non-arbitrage and designates the bonds as "qualified tax-exempt obligations."

Section 9 describes the bond fund, which fund is to be drawn upon for the sole purpose of paying the principal of, premium, if any, and interest on the bonds, as the same shall become due.

Section 10 describes defeasance details of the bonds.

Section 11 confirms that the bonds are to be sold by negotiated sale to U.S. Bancorp Piper Jaffray, Inc. and authorizes the Mayor and the Finance Director to review and approve the preliminary and final Official Statements as their own offering/sales document.

Section 12 describes the City's undertaking to provide ongoing disclosure.

Section 13 describes the project fund and the application of bond proceeds.

Section 14 describes provisions for lost or destroyed bonds.

Section 15 provides for the severability of the provisions of the ordinance.

The full text of Ordinance No. 3712 will be mailed without cost to any party requesting it from:

Ms. Janice Perry
City Clerk
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033