

ORDINANCE NO. 3790

AN ORDINANCE OF THE CITY OF KIRKLAND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF TWO SERIES OF GENERAL OBLIGATION REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNTS OF \$11,060,000 AND \$1,730,000 TO REFUND CERTAIN OUTSTANDING GENERAL OBLIGATION BONDS OF THE CITY; AUTHORIZING THE APPOINTMENT OF AN ESCROW AGENT AND THE EXECUTION OF AN ESCROW AGREEMENT RELATED TO SUCH REFUNDING; PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF SAID BONDS AND FOR 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 of Kirkland, Washington (the "City") now has outstanding its Limited Tax General Obligation Bonds, 1994, issued pursuant to Ordinance No. 3406 under date of February 28, 1994, in the original principal amount of \$9,100,000 (the "1994 Bonds"), maturing in principal amounts and bearing interest as follows:

Years (December 1)	Principal Amounts	Interest Rates
2001	\$ 380,000	5.20%
2002	400,000	5.20
2003	420,000	4.65
2004	435,000	4.75
2005	455,000	5.00
2006	485,000	5.15
2007	510,000	5.30
2008	530,000	5.40
2009	560,000	5.50
2010	590,000	5.55
2011	620,000	5.60
2013	1,350,000	5.70
2014	730,000	5.70

WHEREAS, the 1994 Bonds maturing on and after December 1, 2005 are callable for redemption on December 1, 2004, in whole on any date or in part on any interest payment date thereafter, at a price of par plus accrued interest to the date of redemption; and

WHEREAS, the City now has outstanding its Limited Tax General Obligation Cemetery Improvement Bonds, 1994, issued pursuant to Ordinance No. 3428 under date of October 18, 1994, in the original principal amount of \$380,000 (the "1994 Cemetery Bonds"), maturing in principal amounts and bearing interest as follows:

Years (November 1)	Principal Amounts	Interest Rates
2001	\$ 15,000	5.45%
2002	15,000	5.55
2003	20,000	5.65
2004	20,000	5.75
2005	20,000	5.85
2006	20,000	5.95
2007	20,000	6.05
2008	25,000	6.15
2009	25,000	6.25
2010	25,000	6.35
2011	25,000	6.45
2012	25,000	6.50
2013	25,000	6.55
2014	30,000	6.55

WHEREAS, the 1994 Cemetery Bonds maturing on and after November 1, 2005 are callable for redemption on November 1, 2004, in whole on any date or in part on any interest payment date thereafter, at a price of par plus accrued interest to the date of redemption; and

WHEREAS, the City now has outstanding its Limited Tax General Obligation Bond, 2001, issued pursuant to Ordinance No. 3783 under date of May 3, 2001, in the original principal amount of \$2,750,000 (the "2001 Bond"), bearing interest at 5.50% and maturing on May 1, 2006; and

WHEREAS, the City now has outstanding its Unlimited Tax General Obligation Bonds, 1992, issued pursuant to Ordinance No. 3340 under date of December 1, 1992, in the original principal amount of \$2,300,000 (the "1992 Bonds"), maturing in principal amounts and bearing interest as follows:

Maturity Years (December 1)	Principal Amounts	Interest Rates
2001	\$100,000	5.45%
2002	105,000	5.60
2003	110,000	5.75
2004	115,000	5.90
2005	120,000	6.00
2006	130,000	6.15
2007	140,000	6.25
2012	830,000	6.35

WHEREAS, the 1992 Bonds maturing on and after December 1, 2003 are callable for redemption at any time on or after December 1, 2002, at a price of par plus accrued interest to the date of redemption; and

WHEREAS, as a result of changed market conditions, it appears that substantial debt service savings may be obtained by refunding the 1994 Bonds, the 1994 Cemetery Bonds and the 2001 Bond (the "LTGO Refunded Bonds") through the issuance of limited tax general obligation refunding bonds of the City in the aggregate principal amount of \$11,060,000 (the "LTGO Bonds"), and refunding the 1992 Bonds (the "UTGO Refunded Bonds") through the issuance of unlimited tax general obligation refunding bonds of the City in the aggregate principal amount of \$1,730,000 (the "UTGO Bonds") (collectively, with the LTGO Bonds, to be referred to in this ordinance as the "Bonds"); and

WHEREAS, the LTGO Refunded Bonds and the UTGO Refunded Bonds are herein collectively referred to as the "Refunded Bonds"; and

WHEREAS, in order to effect such refunding in the most economical manner it is deemed necessary and advisable that the proceeds of the sale of the Bonds and, if necessary, other moneys available and required for refunding purposes be invested in obligations maturing in such amounts and at such times as are required to pay the principal and interest on the LTGO Refunded Bonds and the UTGO Refunded Bonds as the same become due, and to redeem and retire the LTGO Refunded Bonds and the UTGO Refunded Bonds on the first date on which such bonds may be called for redemption prior to their respective scheduled maturities; and

WHEREAS, it is necessary that the date, form, terms and maturities of the 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 the 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:

1992 Bond Ordinance means Ordinance No. 3340 adopted by the City Council on November 24, 1992.

1992 Bonds means the City of Kirkland, Washington, Unlimited Tax General Obligation Bonds, 1992, of the City under date of December 1, 1992, and presently outstanding in the aggregate principal amount of \$1,650,000, as more particularly described in the recitals of this ordinance.

1994 Bond Ordinance means Ordinance No. 3406 adopted by the City Council on March 1, 1994.

1994 Bonds means the City of Kirkland, Washington, Limited Tax General Obligation Bonds, 1994, of the City under date of February 28, 1994, and presently outstanding in the aggregate principal amount of \$7,465,000, as more particularly described in the recitals of this ordinance.

1994 Cemetery Bond Ordinance means Ordinance No. 3428 adopted by the City Council on September 27, 1994.

1994 Cemetery Bonds means the City of Kirkland, Washington, Limited Tax General Obligation Bonds, 1994, of the City under date of October 18, 1994, and presently outstanding in the aggregate principal amount of \$310,000, as more particularly described in the recitals of this ordinance.

2001 Bond means the City of Kirkland, Washington, Limited Tax General Obligation Bond, 2001, of the City under date of May 3, 2001, and presently outstanding in the aggregate principal amount of \$2,750,000, as more particularly described in the recitals of this ordinance.

Acquired Obligations means the Government Obligations acquired by the City under the terms of this ordinance and the Escrow Agreement to effect the defeasance and refunding of the Refunded Bonds.

Bond Fund means the City of Kirkland General Obligation Bond Redemption Fund, 2001 created pursuant to Section 10 of this ordinance.

Bond Insurance Policy means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

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, collectively, the LTGO Bonds and the UTGO Bonds.

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.

Commission means the Securities and Exchange Commission.

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.

Defeasance Accounts means the accounts of that name established within the bond redemption funds for the Refunded Bonds pursuant to Section 7 of this ordinance.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 3 hereof.

Escrow Agent means U.S. Bank Trust National Association, Seattle, Washington.

Escrow Agreement means the Escrow Deposit Agreement to be dated as of the date of closing and delivery of the Bonds substantially in the form attached hereto as Exhibit A.

Finance Director means the Finance Director of the City, or any successor to the functions of the Finance Director.

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

Insurer means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto or assignee thereof, as issuer of a Bond Insurance Policy for the Bonds.

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

LTGO Bonds means the \$11,060,000 principal amount of the City of Kirkland, Washington Limited Tax General Obligation Refunding Bonds, 2001 issued pursuant to this ordinance for the purpose of paying costs authorized by Section 2(a) hereof.

LTGO Refunded Bonds means the 1994 Bonds, the 1994 Cemetery Bonds and the 2001 Bond

MSRB means the Municipal Securities Rulemaking Board or any successor to its functions.

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.

Refunded Bonds means, collectively, the LTGO Refunded Bonds and the UTGO Refunded Bonds.

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.

Rule means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

SID means a state information depository for the State of Washington.

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

UTGO Bonds means the \$1,730,000 principal amount of the City of Kirkland, Washington Unlimited Tax General Obligation Refunding Bonds, 2001 issued pursuant to this ordinance for the purpose of paying costs authorized by Section 2(b) hereof.

UTGO Refunded Bonds means the 1992 Bonds.

Section 2. Authorization of Bonds and Bond Details.

(a) For the purpose of refunding the LTGO Refunded Bonds and thereby effecting a substantial savings to the City and its taxpayers, the City shall issue its limited tax general obligation refunding bonds in the aggregate principal amount of \$11,060,000 (the "LTGO Bonds"). The LTGO Bonds shall be general obligations of the City, shall be designated "City of Kirkland, Washington Limited Tax General Obligation Refunding Bonds, 2001"; shall be dated as of July 1, 2001; 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 LTGO 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 December 1,

2001, and semiannually thereafter on the first days of each succeeding June and December and shall mature on December 1 of the following years in the following principal amounts:

Maturity Years (December 1)	Principal Amounts	Interest Rates
2001	\$ 435,000	4.000%
2002	560,000	4.000
2003	585,000	4.000
2004	605,000	4.000
2005	630,000	4.000
2006	650,000	4.000
2007	675,000	4.125
2008	700,000	4.125
2009	730,000	4.250
2010	760,000	4.400
2011	795,000	4.500
2012	830,000	4.650
2013	860,000	4.750
2014	905,000	4.850
2015	165,000	4.950
2016	175,000	5.000
2017	180,000	5.000
2018	190,000	5.000
2019	200,000	5.000
2020	210,000	5.125
2021	220,000	5.125

(b) For the purpose of refunding the UTGO Refunded Bonds and thereby effecting a substantial savings to the City and its taxpayers, the City shall issue its unlimited tax general obligation refunding bonds in the aggregate principal amount of \$1,730,000 (the "UTGO Bonds"). The UTGO Bonds shall be general obligations of the City, shall be designated "City of Kirkland, Washington Unlimited Tax General Obligation Refunding Bonds, 2001"; shall be dated as of July 1, 2001; 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 UTGO 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 December 1, 2001, and semiannually thereafter on the first days of each succeeding June and December and shall mature on December 1 of the following years in the following principal amounts:

Maturity Years (December 1)	Principal Amounts	Interest Rates
2001	\$ 110,000	4.000%
2002	120,000	4.000
2003	125,000	4.000
2004	130,000	4.000
2005	130,000	4.000
2006	140,000	4.000
2007	150,000	4.125
2008	150,000	4.125
2009	155,000	4.250
2010	165,000	4.400
2011	170,000	4.500
2012	185,000	4.650

Section 3. 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 14 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 3(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 3(h) 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 Finance Director 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 Finance Director 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 4. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Optional Redemption.*

(i) The LTGO Bonds maturing in the years 2001 through 2011, inclusive, are not subject to redemption prior to maturity. The LTGO Bonds maturing on or after December 1, 2012 are subject to redemption at the option of the City in whole or in part on any date on or after December 1, 2011 (and if in part, with maturities to be selected by the City) at a price of par plus accrued interest, if any, to the date of redemption.

(ii) The UTGO Bonds are not subject to redemption prior to their scheduled maturities.

(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 LTGO Bonds for Redemption.* For as long as the LTGO Bonds are held in book-entry only form, the selection of particular LTGO Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the LTGO Bonds are no longer held in uncertificated form, the selection of such LTGO 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 LTGO Bonds having the same maturity date, the particular LTGO Bonds or portions of LTGO 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 LTGO Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each LTGO Bond as representing such number of separate LTGO Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such LTGO Bond by \$5,000. In the event that only a portion of the principal sum of a LTGO Bond is redeemed, upon surrender of such LTGO 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 LTGO Bond or LTGO 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 LTGO 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 LTGO 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 LTGO 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 LTGO Bond or LTGO 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. Mailed notices will also be sent within the same period to the Insurer, the NRMSRs', Moody's Investors Service (99 Church Street, New York, New York 10007), Standard & Poor's Ratings Group (55 Water Street, New York New York 10041) and to the Underwriter (800 Nicollet Mall, Minneapolis, Minnesota 55402) or their business successors, if any.

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 LTGO Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the LTGO Bonds to be redeemed,
- (D) that on the redemption date the redemption price will become due and payable upon each such LTGO 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 LTGO 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 LTGO Bonds or portions of LTGO 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 LTGO Bonds or portions of LTGO 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 LTGO Bonds or portions of LTGO Bonds shall cease to bear interest. Upon surrender of such LTGO Bonds for redemption in accordance with said notice, such LTGO 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 LTGO Bond, there shall be prepared for the Registered Owner a new LTGO Bond or LTGO Bonds of the same maturity and series in the amount of the unpaid principal. All LTGO 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 LTGO Bonds being redeemed; (B) the date of issue of the LTGO Bonds as originally issued; (C) the rate of interest borne by each LTGO Bond being redeemed; (D) the maturity date of each LTGO Bond being redeemed; and (E) any other descriptive information needed to identify accurately the LTGO Bonds being redeemed. Each further notice of redemption may be sent at least 35 days before the redemption date to the MSRB, the Insurer, to each NRMSIR, the SID, 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 LTGO Bonds.

(iv) Amendment of Notice Provisions. The foregoing notice provisions of this Section 4, 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 5. Form of Bonds.

(a) The LTGO Bonds shall be in substantially the following form:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

Financial Guaranty Insurance Policy No. ____ (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

NO. _____

\$ _____

STATE OF WASHINGTON

CITY OF KIRKLAND, WASHINGTON

LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2001

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 July 1, 2001, 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 December 1, 2001, and semiannually thereafter on the first days of each succeeding June and December. 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. 3790 duly passed by the City Council on June 19, 2001 (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 \$11,060,000 and is issued pursuant to the Bond Ordinance for providing funds to pay the cost of refunding the City's outstanding Limited Tax General Obligation Bonds, 1994, the City's outstanding Limited Tax General Obligation Cemetery Improvement Bonds, 1994, and its Limited Tax General Obligation Bond, 2001, and the cost of issuance. Simultaneously herewith, the City is issuing its Unlimited Tax General Obligation Bonds, 2001 in the aggregate principal amount of \$1,730,000.

The bonds of this issue maturing on and prior to December 1, 2011 are not subject to redemption prior to their stated maturities. The bonds of this issue maturing on and after December 1, 2012 are subject to redemption at the option of the City on and after December 1, 2011 in whole or in part on any date (and if in part, 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 bonds of this issue are not "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 July, 2001.

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 Refunding Bonds, 2001 of the City of Kirkland, Washington, dated July 1, 2001.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____

(b) The UTGO Bonds shall be in substantially the following form:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

Financial Guaranty Insurance Policy No. ____ (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

NO. _____

\$ _____

STATE OF WASHINGTON

CITY OF KIRKLAND, WASHINGTON

UNLIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2001

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 July 1, 2001, 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 December 1, 2001, and semiannually thereafter on the first days of each succeeding June and December. 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. 3790 duly passed by the City Council on June 19, 2001 (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 \$1,730,000 and is issued pursuant to the Bond Ordinance for providing funds to pay the cost of refunding a portion of its outstanding Unlimited Tax General Obligation Bonds, 1992 and the cost of issuance. Simultaneously herewith, the City is issuing its Limited Tax General Obligation Bonds, 2001 in the aggregate principal amount of \$11,060,000.

The bonds of this issue are not subject to redemption prior to their stated maturities.

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 without limitation as to rate or amount 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 bonds of this issue are not "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 July, 2001.

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 Unlimited Tax General Obligation Refunding Bonds, 2001 of the City of Kirkland, Washington, dated July 1, 2001.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____

Section 6. 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 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 be signed and attested on behalf of the City by such persons who at the date of the actual execution 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 7. Defeasance Accounts. There is hereby authorized to be created in each of the 1994 LTGO Public Facilities Bond Fund for the 1994 Bonds, the LTGO Cemetery Bond Fund, 1994 for the 1994 Cemetery Bonds, the Limited Tax General Obligation Bond Redemption Fund, 2001 for the 2001 Bond, and the Unlimited Tax General Obligation Bond Fund, 1992 for the 1992 Bonds, an account known as the "Defeasance Account" (collectively, the "Defeasance Accounts") which accounts are to be drawn upon for the sole purpose of paying

the principal of and interest on the respective Refunded Bonds until their date of redemption and of paying costs related to the refunding of the Refunded Bonds.

A portion of the proceeds of sale of the Bonds in the dollar amount certified by the City to the Escrow Agent (exclusive of accrued interest thereon, which shall be paid into the Bond Fund established for the Bonds and used to pay interest on the Bonds on the first upcoming interest payment date for the Bonds) shall be credited to the respective Defeasance Accounts.

Money in the Defeasance Accounts shall be used immediately upon receipt thereof to defease the Refunded Bonds as authorized by the ordinances authorizing the issuance of the Refunded Bonds, and to pay costs of issuance of the Bonds. The City shall defease the Refunded Bonds and discharge such obligations by the use of money in the Defeasance Accounts to purchase certain Government Obligations (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

- (i) the principal of the 1994 Bonds maturing in the years 2001 through 2004 when due beginning on December 1, 2001;
- (ii) the interest on the 1994 Bonds maturing in the years 2001 through 2014 when due beginning on December 1, 2001 through December 1, 2004;
- (iii) the redemption price (par) of the 1994 Bonds maturing in the years 2005 through 2014 on December 1, 2004;
- (iv) the principal of the 1994 Cemetery Bonds maturing in the years 2001 through 2004 when due beginning on November 1, 2001;

(v) the interest on the 1994 Cemetery Bonds maturing in the years 2001 through 2014 when due beginning on November 1, 2001 through November 1, 2004;

(vi) the redemption price (par) of the 1994 Cemetery Bonds maturing in the years 2005 through 2014 on November 1, 2004;

(vii) the interest on the 2001 Bond maturing in the year 2006 when due beginning on May 1, 2002 through May 1, 2006;

(viii) the principal of the 2001 Bond maturing in the year 2006 on May 1, 2006;

(ix) the principal of the UTGO Refunded Bonds maturing in the years 2001 and 2002 on December 1, 2001 and December 1, 2002, respectively;

(x) the interest on the UTGO Refunded Bonds when due beginning on December 1, 2001 through December 1, 2002; and

(xi) the redemption price (par) of the UTGO Refunded Bonds maturing in the years 2003 through 2012 on December 1, 2002.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

The City hereby appoints U.S. Bank Trust National Association, Seattle, Washington, as the escrow agent for the Refunded Bonds (the "Escrow Agent"). A beginning cash balance, if any, and Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to refund the Refunded Bonds. The proceeds of the Bonds remaining in the Defeasance Accounts after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and

safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds and/or returned to the City for the payment of such expenses.

Section 8. Call For Redemption of Refunded Bonds and Escrow Agreement.

(a) *Call For Redemption of the Refunded Bonds.* The City hereby irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds of the Bonds to make the payments described in Section 7 of this ordinance.

The City hereby irrevocably calls the 1994 Bonds, the 1994 Cemetery Bonds and the UTGO Refunded Bonds for redemption on December 1, 2001, November 1, 2004, and December 1, 2002, respectively, in accordance with terms of the ordinances pursuant to which the Refunded Bonds were issued, respectively, authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the escrow account and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notice of redemption of the Refunded Bonds in accordance with the applicable provisions of the ordinances pursuant to which the Refunded Bonds were issued, respectively. The Finance Director of the City is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of such notices. The costs of publication of such notices shall be an expense of the City.

The Escrow Agent is hereby authorized and directed to pay to the Finance Director of the City, or, at the direction of the Finance Director of the City, to the fiscal agency or agencies of the State of Washington, sums sufficient to pay, when due, the payments specified in Section 7

of this ordinance. All such sums shall be paid from the moneys and Acquired Obligations deposited with said Escrow Agent pursuant to the previous section of this ordinance, and the income therefrom and proceeds thereof. All such sums so paid to said Finance Director shall be credited to the Defeasance Accounts. All moneys and Acquired Obligations deposited with said bank and any income therefrom shall be held, invested (but only at the direction of the Finance Director) and applied in accordance with the provisions of this ordinance and with the laws of the State of Washington for the benefit of the City and owners of the Refunded Bonds.

The City will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be paid when due.

(b) *Escrow Agreement.* The Finance Director is authorized and directed to execute and deliver to the Escrow Agent an Escrow Deposit Agreement substantially in the form attached to this ordinance as Exhibit A, with such changes or modifications as the Finance Director, with the advice of bond counsel to the City, consider necessary or advisable.

The City hereby irrevocably sets aside for and pledges the moneys and obligations to be deposited with the Escrow Agent pursuant to the Escrow Agreement to accomplish the plan of refunding and defeasance set forth herein and in the Escrow Agreement. When all of the Refunded Bonds shall have been redeemed and retired, the City may cause to be transferred from the Defeasance Accounts to the respective bond funds any moneys not required for the purposes set forth above.

Section 9. 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 allocated to 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 allocable to 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 funded by the proceeds of the Refunded Bonds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds allocable to the state or local governmental use portion of the project to which the Private Person Use of such portion of the project funded by the proceeds of the Refunded Bonds relate. The City further covenants that it will comply with any limitations on the use of the project funded by the proceeds of the Refunded Bonds 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) *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 10. Creation of Bond Fund and Provision for Tax Levy Payments. The Finance Director is hereby authorized and directed to create a fund to be used for the payment of debt service on the Bonds, to be designated as the "General Obligation Refunding Bond Fund, 2001" (the "Bond Fund"). With respect to the UTGO Bonds, the City hereby irrevocably covenants that, unless the principal of and interest on the Bonds are paid from other sources, it will make annual levies of taxes without limitation as to rate or amount and in amounts sufficient to pay such principal and interest as the same shall become due. With respect to the LTGO Bonds, the City hereby irrevocably covenants and agrees that, unless the principal of and interest on the Bonds are paid from other sources, it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to the City 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 the Bonds 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 for the prompt payment of such principal and interest.

Section 11. 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 14.

Section 12. 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 June 12, 2001, is hereby deemed final for the purposes of Securities and Exchange Commission Rule 15c2-12.

The Finance Director and other City officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and

delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale of the Bonds.

Section 13. Bond Insurance.

(a) In accordance with the offer of the Underwriter to purchase the Bonds, the Council hereby approves the commitment of the Insurer to provide a bond insurance policy guaranteeing the payment when due of principal of and interest on the Bonds (the "Bond Insurance Policy"). The Council further authorizes and directs all proper officers, agents, attorneys and employees of the City to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the City as shall be necessary or advisable in providing for the Bond Insurance Policy.

(b) *Payments Under the Bond Insurance Policy.* As long as the Bond Insurance Policy shall be in full force and effect, the City and the Bond Registrar agree to comply with the following provisions:

(1) If, at least one day prior to an interest payment date, the City or the Bond Registrar determines that there will be insufficient funds in the Bond Fund to pay the principal of or interest on the Bonds on such interest payment date, the City or the Bond Registrar shall so notify the Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the City or the Bond Registrar has not so notified the Insurer at least one day prior to an interest payment date, the Insurer will make payments of principal or interest due on the Bonds on or before the first business day next following the date on which the Insurer shall have received notice of nonpayment from the City or the Bond Registrar.

(2) The City or the Bond Registrar shall, after giving notice to the Insurer as provided in subsection (1) above, make available to the Insurer and, at the Insurer's direction, to The Bank of New York, as insurance trustee for the Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the City maintained by the Bond Registrar, and all records relating to the Bond Fund maintained under this ordinance.

(3) The City or the Bond Registrar shall provide the Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Insurer, and (ii) to pay principal on Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Insurer.

(4) The City or the Bond Registrar shall, at the time it provides notice to the Insurer pursuant to subsection (1) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or a part of the interest payments next coming due upon proof of bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Bond Registrar, and (iv) that should they be entitled to receive partial payment of principal

from the Insurer, they must surrender their Bonds for payment thereon first to the Bond Registrar, who shall note on such Bonds the portion of the principal paid by the Bond Registrar, and then, along with an appropriate instrument of assignment satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(5) In the event that the Bond Registrar has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a bondholder by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Bond Registrar shall, at the time the Insurer is notified pursuant to subsection (1) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Bond Registrar shall furnish to the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Bond Registrar and subsequently recovered from registered owners and the dates on which such payments were made.

(6) In addition to those rights granted the Insurer under this ordinance, the Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Bond Registrar shall note the Insurer's rights as subrogee on the registration books of the City maintained by the Bond Registrar upon receipt from the Insurer of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case

of subrogation as to claims for past due principal, the Bond Registrar shall note the Insurer's rights as subrogee on the registration books of the City maintained by the Bond Registrar upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

(7) While the Bond Insurance Policy is in effect, the City shall furnish to the Insurer:

(a) as soon as practicable after the filing thereof, a copy of any financial statement and a copy of any audit and annual report of the City at no cost to the Insurer;

(b) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this ordinance relating to the security for the Bonds at no cost to the Insurer; and

(c) such additional information it may reasonably request.

(8) The City shall notify the Insurer of any failure of the City to provide relevant notices and certificates.

(9) The City will permit the Insurer to discuss the affairs, finances and accounts of the City or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the City. The City will permit the Insurer to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

(10) The Insurer shall have the right to direct an accounting at the City's expense, and the City's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Insurer shall be deemed a default hereunder; provided,

however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

(11) Notwithstanding any other provision of this ordinance, the City shall immediately notify the Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

(c) *Rights of Insurer.*

(1) Any provision of this ordinance expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer without the prior written consent of the Insurer.

(2) Unless otherwise provided in this section, the Insurer's consent shall be required in addition to bondholder consent, when required, for the following purposes: (i) execution and delivery of any amendment, supplement or change to or modification of this ordinance; (ii) removal of the Bond Registrar and selection and appointment of any successor Bond Registrar other than a successor state fiscal agent; and (iii) any initiation or approval of any action not described in (i) or (ii) above which requires bondholder consent.

(3) Any reorganization or liquidation plan with respect to the City must be acceptable to the Insurer. In the event of any reorganization or liquidation, the Insurer shall have the right to vote on behalf of all Bond holders who hold Ambac Assurance-insured Bonds absent a default by the Insurer under the Bond Insurance Policy.

(4) Anything in this ordinance to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bond holders or the Bond Registrar for the benefit of the Bond holders.

(5) Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

(6) To the extent that this ordinance confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of this ordinance, the Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 14. 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 SEC in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2002 for the fiscal year ended December 31, 2001):

1. Annual financial statements, which statements may or may not be audited, showing ending fund balances for the City's general fund prepared in accordance with

the Budgeting 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 for the Bonds under the heading "FINANCIAL INFORMATION";

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 nine 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 Budgeting 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 Bond owners;
- Bond calls (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 securing repayment of the Bonds; and
- Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the City advises that no debt service reserves, credit enhancement or property secures payment of the Bonds, and the UTGO Bonds are not subject to optional redemption.

(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 date 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. Any provision of this section shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies each NRMSIR and the SID, if any, of such opinion and the cancellation of this section.

The City may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the City shall describe such amendment in the next annual report, and shall include, a narrative explanation of the reason for the amendment 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 shall 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 bondowner 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 under this section, 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. 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.

Section 15. 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 June, 2001.

CITY OF KIRKLAND, WASHINGTON



Mayor

ATTEST:



Acting City Clerk

EXHIBIT A**ESCROW DEPOSIT AGREEMENT****CITY OF KIRKLAND, WASHINGTON****LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2001
UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2001**

THIS ESCROW AGREEMENT, dated as of July 10, 2001 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the City of Kirkland, Washington (herein called the "City") and U.S. Bank Trust, National Association, Seattle, Washington, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The notice addresses of the City and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the City heretofore has issued and there presently remain outstanding the obligations described in Exhibit B-1 attached hereto (the LTGO Refunded Bonds") and the obligations described in Exhibit B-2 attached hereto (the UTGO Refunded Bonds") (collectively, the "Refunded Bonds"); and

WHEREAS, pursuant to Ordinance No. 3790 adopted on June 19, 2001 (the "Bond Ordinance"), the City has determined to issue its limited Tax General Obligation Refunding Bonds, 2001 (the "LTGO Bonds") and its Unlimited Tax General Obligation Refunding Bonds, 2001 (the "UTGO Bonds") (together, the "Bonds"); and

WHEREAS, the proceeds of the LTGO Bonds and the UTGO Bonds are being used for the purpose of providing funds to pay the costs of refunding the LTGO Refunding Bonds and the UTGO Refunded Bonds, respectively; and

WHEREAS, the Escrow Agent has reviewed the Bond Ordinance and this Agreement, and is willing to serve as Escrow Agent hereunder.

WHEREAS, Causey, Demgen & Moore of Denver, Colorado, have prepared a verification report which is dated July 10, 2001 (the "Verification Report") relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds.

WHEREAS, pursuant to the Bond Ordinance, the Refunded Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Refunded Bonds will come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit C attached hereto and made a part hereof; and

WHEREAS, when Escrowed Securities have been deposited with the Escrow Agent for the payment of all principal and interest of the Refunded Bonds when due, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, the issuance, sale, and delivery of the Refunding Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the principal of, interest on and redemption premium (if any) on the Refunded Bonds when due as shown on Exhibit C attached hereto; and

WHEREAS, the City desires that, concurrently with the delivery of the Bonds to the purchasers thereof, the proceeds of the Bonds, together with certain other available funds of the City, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Bonds as it accrues and becomes payable and the principal of the Refunded Bonds as it becomes due and payable; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the City desires to establish the Escrow Fund at the corporate trust office of the Escrow Agent in Seattle, Washington; and

WHEREAS, the Escrow Agent is a party to this Agreement to acknowledge its acceptance of the terms and provisions hereof;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the City and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1. Definitions

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

Escrow Fund means the fund created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

Escrowed Securities means the noncallable Government Obligations described in Exhibit D attached to this Agreement, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

Government Obligations means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

Paying Agent means the fiscal agency of the State of Washington, as the paying agent for the Refunded Bonds.

Section 1.2. Other Definitions.

The terms "Agreement," "City," "Escrow Agent," "Bond Ordinance," "Verification Report," "Refunded Bonds," and "Refunding Bonds" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Escrow Fund.

Concurrently with the sale and delivery of the Refunding Bonds the City shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds sufficient to purchase the Escrowed Securities and pay costs of issuance described in Exhibit D attached hereto, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the City in writing.

Article 3. Creation and Operation of Escrow Fund

Section 3.1. Escrow Fund.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Defeasance Account (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Exhibit D attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the City, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Bonds at their respective redemption dates and interest thereon to such redemption dates in the amounts and at the times shown in Exhibit C attached hereto.

Section 3.3. Sufficiency of Escrow Fund.

The City represents that, based upon the information provided in the Verification Report, the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as the Refunded Bonds are paid on an optional redemption date prior to maturity, all as more fully set forth in Exhibit E attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2. hereof, the City shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the City's failure to make additional deposits thereto.

Section 3.4. Trust Fund.

The Escrow Agent or its affiliate, shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Bonds. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the City, and the Escrow Agent shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the City or, except to the extent expressly herein provided, by the Paying Agent.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except for the initial investment in the Escrowed Securities, and except as provided in Section 4.2 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

Section 4.2. Substitution of Securities.

At the written request of the City, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Escrow Fund, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the City in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of its bond counsel or tax counsel to the effect that such transaction will not cause any of the Refunding Bonds or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Sections 3.2 and 4.2 hereof, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund. Cash balances shall be held by the Escrow Agent in U.S. currency and as cash balances as shown on the books and records of the Escrow Agent and shall not be reinvested by the Escrow Agent.

Article 6. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

The City hereby irrevocably calls the Refunded Bonds for redemption on their earliest redemption dates, as shown in the Verification Report and on Appendix A attached hereto.

Section 6.2. Notice of Redemption/Notice of Defeasance.

The Escrow Agent agrees to give a notice of redemption of the Refunded Bonds pursuant to the terms of the Refunded Bonds and in substantially the forms attached hereto as Appendices A-1 through A-3 attached hereto and as described on said Appendices A 1 through A-3 to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption shall be given in accordance with the ordinance authorizing the Refunded Bonds. The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

Article 7. Records and Reports

Section 7.1. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 7.2. Reports.

While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the City a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Bonds or otherwise, together with a detailed statement of all

Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

Article 8. Concerning the Paying Agents and Escrow Agent

Section 8.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 8.2. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the City promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the City and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Refunding Bonds or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrars therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the City thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for

its own neglect or willful misconduct, nor for any loss unless the same shall have been through its negligence or bad faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the City with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the City or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the City at any time.

Section 8.3. Compensation.

The City shall pay to the Escrow Agent fees for performing the services hereunder and for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement pursuant to the terms of the Fee Schedule attached hereto as Appendix B. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 8.4. Successor Escrow Agents.

Any corporation, association or other entity into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or otherwise transfer all or substantially all of its corporate trust assets and business or any corporation, association or other entity resulting from any such conversion, sale, merger, consolidation or other transfer to which it is a party, *ipso facto*, shall be and become successor escrow agent hereunder, vested with all other matters as was its predecessor, without the execution or filing of any instrument or any further act on the part of the parties hereto, notwithstanding anything herein to the contrary.

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the City, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have

been appointed by the City within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the City, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Washington, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Washington, having a combined capital and surplus of at least \$50,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the City and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the City shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

Article 9. Miscellaneous

Section 9.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the City or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

Section 9.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the City, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

Section 9.3. Binding Agreement.

This Agreement shall be binding upon the City and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the City, the Escrow Agent and their respective successors and legal representatives.

Section 9.4. Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington.

Section 9.6. Time of the Essence.

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7. Notice to Moody's and S&P.

In the event that this Agreement or any provision thereof is severed, amended or revoked, the City shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 99 Church Street, New York, New York, 10007, Attention: Public Finance Rating Desk/Refunded Bonds and to Standard & Poor's Ratings Service, a Division of The McGraw Hill Companies, 55 Water Street, New York, New York 10041, Attention: Public Finance Rating Desk/Refunded Bonds.

Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies, (if any) which have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Refunded Bonds.

EXECUTED as of the date first written above.

CITY OF KIRKLAND, WASHINGTON

Finance Director

**U.S. BANK TRUST, NATIONAL
ASSOCIATION**

as Authorized Signer

- Exhibit A - Addresses of the City and the Escrow Agent
- Exhibit B - Description of the Refunded Bonds
- Exhibit C - Schedule of Debt Service on Refunded Bonds
- Exhibit D - Description of Beginning Cash Deposit (if any) and Escrowed Securities
- Exhibit E - Escrow Fund Cash Flow
- Appendix A-1 - Notice of Redemption - 1994 Bonds
- Appendix A-2 - Notice of Redemption - 1994 Cemetery Bonds
- Appendix A-3 - Notice of Redemption - UTGO Refunded Bonds
- Appendix B - Fee Schedule

EXHIBIT A
Addresses of the City and Escrow Agent

City: City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033-6189
Attention: Finance Director

Escrow Agent: U.S. Bank Trust National Association
Corporate Trust Department WWH1022
1420 Fifth Avenue
Seventh Floor
Seattle, WA 98101

EXHIBIT B-1**THE LTGO REFUNDED BONDS**

**City of Kirkland, Washington
 Limited Tax General Obligation Bonds, 1994
 (the "1994 Bonds")**

<u>Years (December 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2001	\$ 380,000	5.20%
2002	400,000	5.20
2003	420,000	4.65
2004	435,000	4.75
2005	455,000	5.00
2006	485,000	5.15
2007	510,000	5.30
2008	530,000	5.40
2009	560,000	5.50
2010	590,000	5.55
2011	620,000	5.60
2013	1,350,000	5.70
2014	730,000	5.70

**City of Kirkland, Washington
 Limited Tax General Obligation Cemetery Improvement Bonds, 1994
 (the "1994 Cemetery Bonds")**

<u>Years (November 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
2001	\$ 15,000	5.45%
2002	15,000	5.55
2003	20,000	5.65
2004	20,000	5.75
2005	20,000	5.85
2006	20,000	5.95
2007	20,000	6.05
2008	25,000	6.15
2009	25,000	6.25
2010	25,000	6.35
2011	25,000	6.45
2012	25,000	6.50
2013	25,000	6.55

2014

30,000

6.55

**City of Kirkland, Washington
Limited Tax General Obligation Bond, 2001
(the "2001 Bond")**

**The 2001 Bond bears interest at 5.50%
and matures on May 1, 2006**

EXHIBIT B-1**THE UTGO REFUNDED BONDS****City of Kirkland, Washington
Unlimited Tax General Obligation Bonds, 1992
(the "1992 Bonds")**

Maturity Years (December 1)	Principal Amounts	Interest Rates
2001	\$ 100,000	5.50%
2002	105,000	5.60
2003	110,000	5.75
2004	115,000	5.90
2005	120,000	6.00
2006	130,000	6.15
2007	140,000	6.25

EXHIBIT C
Schedule of Debt Service on the Refunded Bonds

1994 Bonds

Date	Interest	Principal/ Redemption Price	Total
	\$	\$	\$

1994 Cemetery Bonds

Date	Interest	Principal/ Redemption Price	Total
	\$	\$	\$

2001 Bond

Date	Interest	Principal/ Redemption Price	Total
	\$	\$	\$

1992 Bonds

Date	Interest	Principal/ Redemption Price	Total

**EXHIBIT D
Escrow Deposit**

I. Cash \$ _____

II. Other Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Total Cost</u>
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III. Costs of Issuance

EXHIBIT E
Escrow Fund Cash Flow

<u>Date</u>	<u>Escrow Securities Principal</u>	<u>Escrow Securities Interest</u>	<u>Cash Receipts</u>	<u>Cash Disbursement</u>	<u>Cash Balance</u>
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APPENDIX A-1

NOTICE OF REDEMPTION*

**City of Kirkland, Washington
Limited Tax General Obligation Bonds, 1994**

NOTICE IS HEREBY GIVEN that the City of Kirkland, Washington has called for redemption on December 1, 2001, its outstanding Limited Tax General Obligation Bonds, 1994 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to December 1, 2001. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

<p>The Bank of New York Fiscal Agency Department Ground Floor 101 Barclay Street 7 East New York, NY 10286</p>	-or-	<p>Wells Fargo Bank National Association Corporate Trust Department 14th Floor - M/S 257 999 Third Avenue Seattle, WA 98104</p>
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Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on December 1, 2001.

The following Bonds are being redeemed:

Maturity Years (December 1)	Interest Rates	Principal Amounts	CUSIP Nos.
2005	\$ 455,000	5.00%	497476RA1
2006	485,000	5.15	497476RB9
2007	510,000	5.30	497476RC7
2008	530,000	5.40	497476RD5
2009	560,000	5.50	497476RE3
2010	590,000	5.55	497476RF0
2011	620,000	5.60	497476RG8

* This notice shall be given not more than 60 nor less than 30 days prior to December 1, 2001 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 35 days prior to December 1, 2001 to The Depository Trust Company, New York, New York; Midwest Securities Trust Company, Chicago, Illinois; Pacific Securities Depository Trust Company, San Francisco, California; Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; Moody's Investors Service; Standard & Poor's Ratings Services; and to Lehman Brothers Inc. or to their respective business successors.

2013	1,350,000	5.70	497476RJ2
2014	730,000	5.70	497476RK9

By Order of the City of Kirkland, Washington

The Bank of New York, as Paying Agent

Dated: _____.

Under the Interest and Dividend Tax Compliance Act of 1983, payor may be required to withhold 31% of the redemption price from any Bondowner who fails to provide to payor and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the Bonds are presented for payment. Bondowners who wish to avoid the application of these provisions should submit a completed Form W-9 when presenting their Bonds.

APPENDIX A-2

NOTICE OF REDEMPTION*

City of Kirkland, Washington
Limited Tax General Obligation Cemetery Improvement Bonds, 1994

NOTICE IS HEREBY GIVEN that the City of Kirkland, Washington has called for redemption on November 1, 2004, its outstanding Limited Tax General Obligation Bonds, 1994 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to November 1, 2004. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

<p>The Bank of New York Fiscal Agency Department Ground Floor 101 Barclay Street 7 East New York, NY 10286</p>	-or-	<p>Wells Fargo Bank National Association Corporate Trust Department 14th Floor - M/S 257 999 Third Avenue Seattle, WA 98104</p>
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Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on November 1, 2004.

The following Bonds are being redeemed:

Maturity Years (November 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2005	\$20,000	5.85%	497476__
2006	20,000	5.95	497476__
2007	20,000	6.05	497476__
2008	25,000	6.15	497476__
2009	25,000	6.25	497476__
2010	25,000	6.35	497476__
2011	25,000	6.45	497476__
2012	25,000	6.50	497476__

* This notice shall be given not more than 60 nor less than 30 days prior to November 1, 2004 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 35 days prior to November 1, 2004 to The Depository Trust Company, New York, New York; Midwest Securities Trust Company, Chicago, Illinois; Pacific Securities Depository Trust Company, San Francisco, California; Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; Moody's Investors Service; Standard & Poor's Ratings Services; and to Lehman Brothers Inc. or to their respective business successors.

2013	25,000	6.55	497476__
2014	30,000	6.55	497476__

By Order of the City of Kirkland, Washington

The Bank of New York, as Paying Agent

Dated: _____.

Under the Interest and Dividend Tax Compliance Act of 1983, payor may be required to withhold 31% of the redemption price from any Bondowner who fails to provide to payor and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the Bonds are presented for payment. Bondowners who wish to avoid the application of these provisions should submit a completed Form W-9 when presenting their Bonds.

APPENDIX A-3

NOTICE OF REDEMPTION*

**City of Kirkland, Washington
Unlimited Tax General Obligation Bonds, 1992**

NOTICE IS HEREBY GIVEN that the City of Kirkland, Washington has called for redemption on December 1, 2002, its outstanding Unlimited Tax General Obligation Bonds, 1992 (the "Bonds").

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to December 1, 2002. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

<p>The Bank of New York Fiscal Agency Department Ground Floor 101 Barclay Street 7 East New York, NY 10286</p>	-or-	<p>Wells Fargo Bank National Association Corporate Trust Department 14th Floor - M/S 257 999 Third Avenue Seattle, WA 98104</p>
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Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on December 1, 2002.

The following Bonds are being redeemed:

Maturity Years (November 1)	Principal Amounts	Interest Rates	CUSIP Nos.
2003	\$110,000	5.75%	497476NQ_
2004	115,000	5.90	497476NR_
2005	120,000	6.00	497476NS_
2006	130,000	6.15	497476NT_
2007	140,000	6.25	497476NU_
2012	830,000	6.35	497476NV_

* This notice shall be given not more than 60 nor less than 30 days prior to December 1, 2002 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 35 days prior to December 1, 2002 to The Depository Trust Company, New York, New York; Midwest Securities Trust Company, Chicago, Illinois; Pacific Securities Depository Trust Company, San Francisco, California; Philadelphia Depository Trust Company, Philadelphia, Pennsylvania; Moody's Investors Service; Standard & Poor's Ratings Services; and to U.S. Bancorp Piper Jaffray, Inc. or to their respective business successors.

By Order of the City of Kirkland, Washington

The Bank of New York, as Paying Agent

Dated: _____.

Under the Interest and Dividend Tax Compliance Act of 1983, payor may be required to withhold 31% of the redemption price from any Bondowner who fails to provide to payor and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the Bonds are presented for payment. Bondowners who wish to avoid the application of these provisions should submit a completed Form W-9 when presenting their Bonds.

APPENDIX B
Fee Schedule

Escrow Agent Fee: \$ _____

PUBLICATION SUMMARY OF ORDINANCE NO.. 3790

AN ORDINANCE OF THE CITY OF KIRKLAND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF TWO SERIES OF GENERAL OBLIGATION REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNTS OF \$11,060,000 AND \$1,730,000 TO REFUND CERTAIN OUTSTANDING GENERAL OBLIGATION BONDS OF THE CITY; AUTHORIZING THE APPOINTMENT OF AN ESCROW AGENT AND THE EXECUTION OF AN ESCROW AGREEMENT RELATED TO SUCH REFUNDING; PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF SAID BONDS AND FOR 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 (Definitions) defines certain capitalized terms used in the Ordinance.

Section 2 (Authorization of Bonds and Bond Details) authorizes the City's Limited Tax General Obligation Refunding Bonds, 2001" in the aggregate amount of \$11,060,000 (the "LTGO Bonds") and its Unlimited Tax General Obligation Refunding Bonds, 2001 in the aggregate principal amount of \$1,730,000 (the "UTGO Bonds") (together, the "Bonds") to provide funds to refund certain outstanding general obligation bonds of the City (the "Refunded Bonds"), and provides details regarding maturities and interests rates.

Section 3 (Registration, Exchange and Payments) adopts a system of registration and exchange for the Bonds and describes the arrangements for paying principal of and interest on the Bonds.

Section 4 (Redemption Prior to Maturity and Purchase of Bonds) provides details regarding redemption of the Bonds prior to their scheduled maturity.

Section 5 (Form of Bonds) describes the form of the Bonds.

Section 6 (Execution of Bonds) authorizes procedures for execution and authentication of the Bonds.

Section 7 (Defeasance Accounts) authorizes procedures for the payment of principal and interest on the Refunded Bonds and appoints an Escrow Agent.

Section 8 (Call For Redemption of Refunded Bonds and Escrow Agreement) calls the Refunded Bonds for redemption and authorizes the Escrow Agreement.

Section 9 (Tax Covenants) covenants that the City will not cause interest on the Bonds to become taxable.

Section 10 (Creation of Bond Fund and Provision for Tax Levy Payments) creates the Bond Fund for the payment of debt service on the Bonds and provides for tax levies, if needed, as required to pay such debt service.

Section 11 (Defeasance) provides conditions under which the Bonds may be defeased.

Section 12 (Sale of Bonds) authorizes the sale of the Bonds to the Underwriter pursuant to the purchase offer and deems final the preliminary Official Statement.

Section 13 (Bond Insurance) provides a commitment to the Insurer of the Bonds.


Section 14 (Undertaking to Provide Ongoing Disclosure) provides an undertaking for disclosure as required by the Securities and Exchange Commission.

Section 15 (Lost, Stolen or Destroyed Bonds) makes provision in case Bonds are lost, stolen or destroyed.

Section 16 (Severability) provides that other covenants and agreements in the ordinance are not affected if one is made invalid.

The full text of Ordinance No. 3790 will be mailed without charge to any person upon request made to the City Clerk for the City of Kirkland. The Ordinance was passed by the Kirkland City Council at its regular meeting on the 19th day of June, 2001.

I certify that the foregoing is a summary of Ordinance No. 3790 approved by the Kirkland City Council for summary publication.



Acting City Clerk