

ORDINANCE NO. 3878

AN ORDINANCE of the City Council of the City of Kirkland, Washington, providing for the issuance and sale of unlimited tax general obligation bonds of the City in the principal sum of \$8,400,000 for the purpose of providing funds for park acquisition and improvements as authorized by an ordinance of the City Council and approved by the qualified electors of the City at a special election held therein on November 5, 2002; providing the date, form, terms and maturities of the bonds to be issued and for unlimited tax levies to pay the principal thereof and interest thereon; authorizing a preliminary official statement; and approving the sale of such bonds.

WHEREAS, at an election held in the City of Kirkland, Washington (the "City") on November 5, 2002, the number and proportion of the qualified electors of the City required by law for the adoption thereof voted in favor of a proposition authorizing the issuance of bonds of the City in the aggregate principal amount of \$8,400,000 to provide funds for park acquisition and improvements as authorized by Ordinance No. 3848 of the City Council passed on July 2, 2002; and

WHEREAS, the City Council now desires to authorize the issuance of the bonds approved by the voters; and

WHEREAS, the City Council has received an offer to purchase said bonds from D.A. Davidson & Co., which this Council finds acceptable;

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, unless a different meaning clearly appears from the context:

Beneficial Owner means the beneficial owner of all or a portion of a Bond while such Bond is in fully immobilized form.

Bond Fund means the "City of Kirkland Unlimited Tax General Obligation Bond Redemption Fund."

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 records for the Bonds maintained by the Bond Registrar.

Bond Registrar means the fiscal agency of the State of Washington, in 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 principal of and interest on the Bonds.

Bonds means the \$8,400,000 principal amount of the City of Kirkland, Washington, Unlimited Tax General Obligation Bonds, 2003, issued pursuant to this ordinance.

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 duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

Code means the federal Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations thereunder.

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

DTC means The Depository Trust Company, of New York, New York, as depository for the Bonds, or any successor or substitute for the Bonds.

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, as such chapter may be hereafter amended or restated.

Insurer means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy for the Bonds.

Letter of Representations means the Blanket Issuer Letter of Representations from the City to DTC.

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

Net Proceeds, when used with reference to 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.

Registered Owner means the person in whose name a Bond is registered on the Bond Register. For so long as the City utilizes the book-entry system for the Bonds, DTC shall be deemed to be the Registered Owner.

Rule means the SEC's Rule 15c2-12 under the Securities Exchange Act of 1934.

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

Term Bonds means any Bonds designated by the Underwriter as Term Bonds.

Underwriter means D.A. Davidson & Co., Seattle, Washington.

In this ordinance, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this ordinance;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect; and

(e) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

Section 2. Authorization of Bonds. The City shall now issue and sell \$8,400,000 of bonds (the "Bonds"), being the unlimited tax general obligation bonds authorized by the qualified electors of the City held at a special election on November 5, 2002 for the purpose of providing funds to pay the cost of park improvements for the City as authorized by Ordinance No. 3848 of the City Council.

The Bonds shall be designated "City of Kirkland, Washington, Unlimited Tax General Obligation Bonds, 2003"; shall be dated as of January 15, 2003; shall be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof; shall be numbered separately and in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification and control; shall bear interest at the rates set forth below from their date, until the Bonds have been paid or their payment duly provided for, payable semiannually on the first day of each June and December, commencing June 1, 2003; and shall mature on December 1 of each year in principal amounts, as follows:

Maturity Year (December 1)	Principal Amount	Interest Rates
2003	\$ 335,000	1.20%
2004	305,000	1.20
2005	315,000	1.45
2006	320,000	1.85
2007	330,000	2.20
2008	340,000	2.60
2009	350,000	3.00
2010	365,000	3.20
2011	375,000	3.50
2012	390,000	3.70
2013	405,000	3.80
2014	420,000	4.00
2015	440,000	4.00
2016	460,000	4.10
2018	1,000,000	5.20
2020	1,070,000	5.20
2022	1,180,000	5.20

Section 3. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby adopts the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agency of the State of Washington in New York, New York, as registrar, authenticating agent, paying agent and transfer agent (collectively, the "Bond Registrar"). The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Bonds (the "Bond Register"), which shall be open to inspection by the City. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar, DTC, each NRMSIR and SID, if any, and a successor Bond Registrar appointed by the Finance Director. 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 on the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar may deem and treat the Registered Owner of each Bond as the absolute owner for all purposes, 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 registration may be transferred as herein provided. All such payments made as described in Section 3(h) shall be valid and shall satisfy the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* The Bonds shall initially 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 has executed and delivered to DTC a Blanket Issuer Letter of Representations (the "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 with respect to the Bonds for the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice that 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), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC 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, and all references in this ordinance to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in any Bonds.

(d) *Use of Depository.*

(i) The Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with a single Bond for each maturity in a denomination equal to the total principal amount of such maturity. 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 City 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 City to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the City may 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 City, issue a single new Bond for each maturity then

outstanding, registered in the name of such successor or substitute depository, or its nominee, all as specified in such written request of the City.

(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 City determines that it is in the best interest of the beneficial owners of the Bonds that the Bonds be provided in certificated form, 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 City shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds in certificated form, to issue Bonds in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds, together with a written request on behalf of the City to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are provided in such written request.

(e) *Transfer or Exchange of Registered Ownership; Change in Denominations.* If the Bonds are no longer held in book-entry only form, the registered ownership of any Bond may be transferred or exchanged, but no transfer of any 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, 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 canceled 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 transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date.

(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 rights of the Registered Owners of the 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 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 15th day of the month preceding

the interest payment date, and 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 and Purchase.

(a) *Optional Redemption.* The Bonds maturing on or prior to December 1, 2012, are not subject to redemption prior to their scheduled maturity. The Bonds maturing on or after December 1, 2013, are subject to redemption at the option of the City on or after June 1, 2013, 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, if any, to the date of redemption.

(b) *Mandatory Redemption.* Unless previously redeemed pursuant to the foregoing optional redemption provisions, the Bonds maturing on December 1, 2018 are subject to mandatory redemption at a price of par plus accrued interest to the date of redemption on December 1 of the following years in the following principal amounts:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
2017	\$ 490,000
2018*	510,000

* Maturity.

Unless previously redeemed pursuant to the foregoing optional redemption provisions, the Bonds maturing on December 1, 2020 are subject to mandatory redemption at a price of par plus accrued interest to the date of redemption on December 1 of the following years in the following principal amounts:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
2019	\$ 520,000
2020*	550,000

* Maturity.

Unless previously redeemed pursuant to the foregoing optional redemption provisions, the Bonds maturing on December 1, 2022 are subject to mandatory redemption at a price of par plus accrued interest to the date of redemption on December 1 of the following years in the following principal amounts:

<u>Redemption Years</u>	<u>Redemption Amounts</u>
2021	\$ 575,000
2022*	605,000

* Final Maturity.

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

\$5,000, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar there shall be issued to the registered owner, without charge therefor, for the then unredeemed balance of the principal amount thereof, a new Bond or Bonds, at the option of the Registered Owner, of like maturity and interest rate in any denomination authorized by this resolution.

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

(e) *Notice of Redemption.*

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

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

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

(E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

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

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

(iii) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of

issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 35 days before the redemption date to the Insurer, each NRMSIR, the SID, if any, and to the Underwriter or to its business successor, if any, and to such persons and with such additional information as the Finance Director shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(iv) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(v) 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. Creation of Bond Fund and Pledge of Taxes and Credit. A special fund of the City known as the "City of Kirkland Unlimited Tax General Obligation Bond Redemption Fund" (the "Bond Fund"), is hereby authorized to be established and maintained in the office of the Finance Director of the City. The Bond Fund shall be drawn upon for the purpose of paying the principal of and interest on the 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 upon all of the property in the City subject to taxation in amounts sufficient to pay such principal and interest 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 6. Defeasance. In the event that money and/or Government Obligations maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire any or all of the Bond in accordance with their terms are set aside in a special account to effect such redemption or retirement and such money and the principal of and interest on such 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 the Bonds so provided for and such Bonds shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the funds so set aside and pledged, and such Bonds shall be deemed not to be outstanding hereunder.

Section 7. Tax Covenant; Special Designation.

(a) *Arbitrage Covenant.* The City hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the City which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said section and said Regulations. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) 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:

(i) More than 10% of the Net Proceeds of the Bonds to be allocated to any Private Person Use; and

(ii) 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:

(iii) More than five percent of the Net Proceeds of the Bonds are allocable to any Private Person Use; and

(iv) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this resolution 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, (1) any Private Person Use of the projects described in subsection (iii) hereof or Private Person Use payments described in subsection (iv) hereof that is in excess of the five percent limitations described in such subsections (iii) or (iv) will be for a Private Person Use that is related to the state or local governmental use of the projects financed or refinanced with Bond proceeds, and (2) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the projects to which the Private Person Use of such portion of such projects relates. The City further covenants that it will comply with any

limitations on the use of the projects 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) The City hereby designates the Bonds as "qualified tax-exempt obligations" for purchase by financial institutions pursuant to Section 265(b)(3) of the Code. The City does not anticipate that it will issue more than \$10,000,000 in qualified tax-exempt obligations during 2003.

Section 8. Lost or Destroyed Bonds. If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, maturity and tenor to the Registered Owner upon the owner paying the expenses and charges of the Bond Registrar and the City in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to both.

Section 9. Form of the Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at the principal office of the Fiscal Agency of the State of Washington in New York, New York.

The Insurer, in consideration of the payment of the premium and subject to the terms of the policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the City of Kirkland, Washington (the "Issuer") to

the Fiscal Agency of the State of Washington, or its successor (the "Paying Agent"), of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

\$8,400,000

CITY OF KIRKLAND, WASHINGTON
UNLIMITED TAX GENERAL OBLIGATION BONDS, 2003

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

MBIA Insurance Corporation

NO. _____

\$ _____

STATE OF WASHINGTON
CITY OF KIRKLAND
UNLIMITED TAX GENERAL OBLIGATION BOND, 2003

INTEREST RATE:

MATURITY DATE:

CUSIP NO:

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Kirkland, Washington, a municipal corporation organized and existing under and by virtue of the laws and Constitution of the State of 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 specified above, unless redeemed prior thereto as provided herein, together with interest on such Principal Amount from the date hereof or the most recent date to which interest has been paid or duly provided for at the Interest Rate set forth above payable semiannually on each June 1 and December 1, commencing June 1, 2003, until payment of the principal sum has been made or duly provided for. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC. Principal shall be paid to the Registered Owner or assigns upon presentation and surrender of this bond at the principal office of the fiscal agency of the State of Washington (the "Bond Registrar").

This bond is one of an issue of unlimited tax general obligation bonds of the City of like date and tenor, except as to number, interest rate and date of maturity, in the aggregate principal amount of \$8,400,000, issued pursuant to Ordinance No. O-3878 of the City, passed January 21, 2003 (the "Bond Ordinance"), to provide funds for park acquisition and improvements as authorized by an ordinance of the City Council and approved by the qualified electors of the City at a special election held therein on November 5, 2002. Capitalized terms used in this bond and not otherwise defined shall have the meanings given them in the Bond Ordinance.

The bonds of this issue are subject to redemption as stated in the Bond Ordinance.

The City has designated the bonds of this issue as "qualified tax-exempt obligations" for purchase by financial institutions pursuant to Section 265 (b) of the Internal Revenue Code of 1986 as amended. The bonds of this issue are not private activity bonds.

The City hereby irrevocably covenants that it will levy taxes annually upon all the taxable property in the City without limitation as to rate or amount and in amounts sufficient, with other monies legally available therefor, to pay the principal of and interest on the bonds of this issue 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 pledge of tax levies 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.

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 the Bond Registrar.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this bond and the bonds of this issue have happened, been done and performed, and that this bond and the bonds of this issue do not exceed any constitutional or statutory limitations.

IN WITNESS WHEREOF, the City of Kirkland, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Clerk of the City, as of this 15th day of January, 2003.

CITY OF KIRKLAND, WASHINGTON

By /s/ manual or facsimile signature
Mayor

ATTEST:

 /s/ manual or facsimile signature
City Clerk

The Certificate of Authentication for the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within-referenced Bond Ordinance and is one of the City of Kirkland, Washington Unlimited Tax General Obligation Bonds, 2003, dated January 15, 2003.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Signer

Section 10. Execution of the Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signature of the Mayor, attested by the manual or facsimile signature of the City Clerk. In case either or both of the officers who have signed or attested any of the Bonds cease to be such officer before such Bonds have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed or attested such Bonds had not ceased to be such officers, and any Bond may be signed or attested on behalf of the City by officers who at the date of actual execution of such Bond are the proper officers, although at the nominal date of execution of such Bond such officer was not an officer of the City.

Only Bonds that bear a Certificate of Authentication in the form set forth in Section 9, 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 and are

Section 11. Application of Proceeds of Bonds. The net proceeds of the Bonds received shall be deposited in the City's General Capital Projects Fund. Such net proceeds shall

used to pay the costs of issuance of the Bonds and to finance the improvements authorized by Ordinance No. 3848 of the Council, approved by the voters on November 5, 2002.

Section 12. Sale of the Bonds. The City Council finds that the purchase contract that has been distributed to the City Council is reasonable and that it is in the best interest of the City that the Bonds shall be sold upon the terms and conditions set forth in the purchase contract. The City accepts the purchase contract and authorizes the Finance Director or the Mayor to execute the purchase contract and deliver it to the Underwriter. The Bonds shall be issued and delivered to the Underwriter upon payment of the purchase price specified in the purchase contract.

Section 13. Official Statement. The City approves the preliminary official statement presented to the Council and authorizes the Underwriter's distribution of the preliminary official statement in connection with the offering of the Bonds. The City authorizes the Underwriter to use the official statement, substantially in the form of the preliminary official statement, in connection with the sale of the Bonds. The Finance Director and Mayor are hereby authorized to review and approve on behalf of the City the final Official Statement relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them.

Section 14. General Authorization; Ratification of Prior Acts. The Mayor, Finance Director and City Clerk and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

Section 15. 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 2004 for the fiscal year ended December 31, 2003):

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 "Comparative Current Expense Fund Income Statement;"

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 credit enhancement or property secures payment of the Bonds.

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

(g) *No Defaults.* The City is not in default of any of its previous undertakings with respect to its outstanding bonds.

Section 16. Bond Insurance.

(a) *Acceptance of Insurance.* 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 execute a commitment letter with the Insurer and 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.* In the event that, on the payment date of the Bonds, the City or the Bond Registrar determines that there will not be sufficient money available in the Bond Fund to pay all principal of and interest on the Bonds due on such payment date, the City or the Bond Registrar shall immediately notify the Insurer or its designee on the same day by telephone or telegraph, confirmed in writing by registered or

certified mail, of the amount of the deficiency. If the deficiency is made up in whole or in part, the Bond Registrar shall so notify the Insurer or its designee.

In addition, if the Bond Registrar has notice that any Bondholder has been required to disgorge payments of principal or interest on the Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Bond Registrar shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

The Bond Registrar is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Bondholders as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Bond Registrar shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Bond Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Bondholders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Bondholders (and not as Bond Registrar) in accordance with the tenor of the Bond Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Bondholders; and

(2) If and to the extent of a deficiency in amounts required to pay principal of any Bonds, the Bond Registrar shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as

agent for such Bondholder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Bond Registrar and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Bondholders (and not as Bond Registrar) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Bondholders.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Bond Registrar from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the City with respect to such interest, and the Insurer shall become the owner of such unpaid interest and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

Irrespective of whether any such assignment is executed and delivered, the City and the Bond Registrar:

(1) Recognize that to the extent the Insurer makes payments directly or indirectly (as by paying through the Bond Registrar), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such Bondholders to receive the amount of such principal and interest for the City, with interest thereon as provided and solely from the sources stated in this ordinance and the Bonds; and

(2) Will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy), with interest thereon as provided in this ordinance and

the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bond to holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(c) *Rights of Insurer.*

In connection with the issuance of additional general obligation bonds, the City shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional bonds.

Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Insurer shall be sent to Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc.

The Insurer shall receive notice of the resignation or renewal of the Bond Registrar and the appointment of a successor, other than the designated state fiscal agent.

The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis (or as soon as available from the office of the State Auditor) copies of the City's audited financial statements, and annual budget.

Any notice that is required to be given to a holder of Bonds or to the Bond Registrar pursuant to this ordinance shall also be provided to the Insurer. All notices required to be given to the Insurer under this ordinance shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

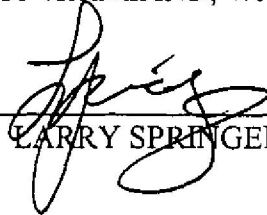
The provisions of this section shall be in effect only so long as the Bond Insurance Policy is in full force and effect.

Section 17. 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.

Section 18. Effective Date. This ordinance shall be effective from and after its passage, approval and publication as provided by law.

PASSED THIS 21st DAY OF JANUARY, 2003, by the City Council of the City of Kirkland, and signed in approval therewith this 21st day of January, 2003

CITY OF KIRKLAND, WASHINGTON


LARRY SPRINGER, Mayor

ATTEST:


JANICE PERRY, Clerk

APPROVED AS TO FORM:


GAIL GORUD, City Attorney

PUBLISHED: January 26, 2003

CITY OF KIRKLAND

Summary of Ordinance No. 3878 passed January 21, 2003
authorizing unlimited tax general obligation bonds in the amount of \$8,400,000

AN ORDINANCE of the City Council of the City of Kirkland, Washington, providing for the issuance and sale of unlimited tax general obligation bonds of the City in the principal sum of \$8,400,000 for the purpose of providing funds for park acquisition and improvements as authorized by an ordinance of the City Council and approved by the qualified electors of the City at a special election held therein on November 5, 2002; providing the date, form, terms and maturities of the bonds to be issued and for unlimited tax levies to pay the principal thereof and interest thereon; authorizing a preliminary official statement; and approving the sale of such bonds.

Section 1 (Definitions) defines certain capitalized terms used in the ordinance.

Section 2 (Authorization of Bonds) authorizes the City's Unlimited Tax General Obligation Bonds, 2003 (the "Bonds") in the principal amount of \$8,400,000 to provide funds for the cost of park acquisition and improvements and provides details regarding its maturities and interest 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 and Purchase) provides details regarding redemption of the Bonds prior to their scheduled maturity.

Section 5 (Creation of Bond Fund and Pledge of Taxes and Credit) authorizes creation of the Bond Fund and unlimited tax levies to pay the principal of and interest on the Bonds.

Section 6 (Defeasance) provides conditions under which the Bonds may be defeased.

Section 7 (Tax Covenant; Special Designation) covenants that the City will not cause interest on the Bonds to become taxable and designates the Bonds as "qualified tax-exempt obligations" for purchase by financial institutions pursuant to Section 265(b)(3) of the Code.

Section 8 (Lost or Destroyed Bonds) makes provision in case Bonds are lost or destroyed.

Section 9 (Form of the Bonds) describes the form of the Bonds.

Section 10 (Execution of the Bonds) authorizes procedures for execution and authentication of the Bonds.

Section 11 (Application of Proceeds of Bonds) provides for the application of proceeds of the Bonds.

Section 12 (Sale of the Bonds) authorizes the sale of the Bonds to the Underwriter pursuant to the purchase offer to be approved by the Finance Director or Mayor.

Section 13 (Official Statement) authorizes the approval of the preliminary and final Official Statement.

Section 14 (General Authorization; Ratification of Prior Acts) authorizes the appropriate officers of the City to take any actions and to execute necessary documentation and ratifies all acts taken pursuant to the authority of this ordinance but prior to its effective date.

Section 15 (Ongoing Disclosure) provides an undertaking for disclosure as required by the Securities and Exchange Commission.

Section 16 (Bond Insurance) authorizes the Council to approve the commitment of MBIA as the Insurer and execute necessary documentation.

Section 17 (Severability) states that the invalidity of any provision of the ordinance shall not affect the validity of the other provisions of the ordinance or of the Bonds.

Section 18 (Effective Date) states that the ordinance shall be effective from and after its passage, approval and publication as provided by law.

The full text of Ordinance No. O-3878 will be mailed without cost to any party requesting it from:

Ms. Marilynne Beard
Finance Director
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033-6189


City Clerk