

CITY OF LYNNWOOD, WASHINGTON

ORDINANCE NO. 3141

AN ORDINANCE relating to the utility system of the City, relating to contracting indebtedness; providing for the issuance, sale and delivery of not to exceed \$46,000,000 aggregate principal amount of Utility System Revenue Bonds, 2015, to (i) redeem the City's Utility System Revenue Bond Anticipation Note, 2015, (ii) finance a portion of the carrying out of a system or plan of additions to and betterments and extensions of the system, (iii) fund a portion of the reserve, and (iv) pay the costs of issuance and sale of the bonds; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the City's designated representative to approve the final terms of the sale of the bonds; and providing for other related matters.

Passed June 22, 2015

This document prepared by:

*Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400*

TABLE OF CONTENTS*

	<u>Page</u>
Section 1 .	Definitions..... 1
Section 2 .	Findings 7
Section 3 .	Purpose and Authorization of Bonds..... 7
Section 4 .	Description of the Bonds; Appointment of Designated Representative 7
Section 5 .	Bond Registrar; Registration and Transfer of Bonds 8
Section 6 .	Form and Execution of Bonds..... 9
Section 7 .	Payment of Bonds..... 9
Section 8 .	Payments into Bond Fund..... 10
Section 9 .	Rate Stabilization Fund. 11
Section 10 .	Finding as to Sufficiency of Revenue, Pledge of Revenue and Lien Position. 12
Section 11 .	Deposit of Bond Proceeds..... 12
Section 12 .	Redemption Provisions and Purchase of Bonds..... 12
Section 13 .	Failure To Pay Bonds..... 13
Section 14 .	Covenants 14
Section 15 .	Tax Covenants..... 15
Section 16 .	Parity Provisions..... 15
Section 17 .	Separate Utility Systems 17
Section 18 .	Flow of Funds 17
Section 19 .	Refunding or Defeasance of the Bonds 18
Section 20 .	Sale and Delivery of the Bonds 19
Section 21 .	Official Statement; Continuing Disclosure..... 20
Section 22 .	Supplemental and Amendatory Ordinances 20
Section 23 .	General Authorization and Ratification 22
Section 24 .	Severability..... 22
Section 25 .	Effective Date of Ordinance..... 23
Exhibit A	Description of the Plan of Additions
Exhibit B	Parameters for Final Terms
Exhibit C	Form of Undertaking to Provide Continuing Disclosure

**The cover page, table of contents and section headings of this ordinance are for convenience of reference only, and shall not be used to resolve any question of interpretation of this ordinance.*



ORDINANCE NO. 3141

AN ORDINANCE RELATING TO THE UTILITY SYSTEM OF THE CITY, RELATING TO CONTRACTING INDEBTEDNESS; PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED \$46,000,000 AGGREGATE PRINCIPAL AMOUNT OF UTILITY SYSTEM REVENUE BONDS, 2015, TO (I) REDEEM THE CITY'S UTILITY SYSTEM REVENUE BOND ANTICIPATION NOTE, 2015, (II) FINANCE A PORTION OF THE CARRYING OUT OF A SYSTEM OR PLAN OF ADDITIONS TO AND BETTERMENTS AND EXTENSIONS OF THE SYSTEM, (III) FUND A PORTION OF THE RESERVE, AND (IV) PAY THE COSTS OF ISSUANCE AND SALE OF THE BONDS; FIXING OR SETTING PARAMETERS WITH RESPECT TO CERTAIN TERMS AND COVENANTS OF THE BONDS; APPOINTING THE CITY'S DESIGNATED REPRESENTATIVE TO APPROVE THE FINAL TERMS OF THE SALE OF THE BONDS; AND PROVIDING FOR OTHER

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LYNNWOOD, WASHINGTON, DO ORDAIN AS FOLLOWS:

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

- (a) “*Annual Debt Service*” means, for any calendar year, with respect to all Parity Bonds outstanding or maturing in that year, all amounts required to be paid in that year in respect of principal of and interest on those Parity Bonds.
- (b) “*Average Annual Debt Service*” means, as of its date of calculation, the sum of Annual Debt Service with respect to all Parity Bonds outstanding (including all Parity Bonds maturing in the calendar year of calculation) for all calendar years during which those Parity Bonds are scheduled to remain outstanding, divided by the number of those calendar years (without regard to bond years).
- (c) “*Authorized Denomination*” means \$5,000 or any integral multiple thereof within a maturity of a Series.
- (d) “*Beneficial Owner*” means, with respect to a Bond, the owner of any beneficial interest in that Bond.
- (e) “*Bond*” means each bond issued pursuant to and for the purposes provided in this ordinance.
- (f) “*2008 Bonds*” means the Utility System Improvement and Refunding Revenue Bonds, 2008, of the City authorized by and issued pursuant to Ordinance No. 2718.

(g) *"2010 Bonds"* means the Utility System Revenue Bonds, 2010, of the City authorized by and issued pursuant to Ordinance No. 2856.

(h) *"Bond Counsel"* means the firm of Foster Pepper PLLC, its successor, or any other attorney or firm of attorneys selected by the City with a nationally recognized standing as bond counsel in the field of municipal finance.

(i) *"Bond Fund"* means the special fund, known as the "Utility System Bond Fund," created and established in the office of the Finance Director for the purpose of paying and securing principal of and interest on the Parity Bonds.

(j) *"Bond Purchase Agreement"* means an offer to purchase a Series of the Bonds, setting forth certain terms and conditions of the issuance, sale and delivery of those Bonds, which offer is authorized to be accepted by the Designated Representative on behalf of the City, if consistent with this ordinance. In the case of a competitive sale, the official notice of sale, the Purchaser's bid and the award by the City shall constitute the Bond Purchase Agreement for purposes of this ordinance.

(k) *"Bond Register"* means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Parity Bond.

(l) *"Bond Registrar"* means the Fiscal Agent, or any successor bond registrar selected by the City.

(m) *"City"* means the City of Lynnwood, Washington, a municipal corporation duly organized and existing under the laws of the State.

(n) *"City Council"* means the legislative authority of the City, as duly and regularly constituted from time to time.

(o) *"Code"* means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(p) *"Coverage Requirement"* means that, for any calendar year, Net Revenue in that calendar year, plus all ULID Assessments collected in that year, plus all amounts on deposit in the Principal and Interest Account on the last business day prior to the commencement of that calendar year, shall be equal to at least 1.25 times the Average Annual Debt Service on all outstanding Parity Bond

(q) *"DTC"* means The Depository Trust Company, New York, New York, or its nominee.

(r) *"Designated Representative"* means the officer of the City appointed in Section 4 of this ordinance to serve as the City's designated representative in accordance with RCW 39.46.040(2).

(s) *"Final Terms"* means the terms and conditions for the sale of a Series of the Bonds including the amount, date or dates, denominations, interest rate or rates (or mechanism for

determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants.

(t) *“Finance Officer”* means the Finance Director or such other officer of the City who succeeds to substantially all of the responsibilities of that office.

(u) *“Fiscal Agent”* means the fiscal agent of the State, as the same may be designated by the State from time to time.

(v) *“Future Parity Bonds”* means all revenue bonds and other obligations of the City for borrowed money (including, without limitation, financing leases) issued or incurred after the date of the issuance of the Bonds, the payment of which constitutes a lien and charge on the Net Revenue and ULID Assessments equal in rank with the lien and charge upon such revenue and assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds and the Outstanding Parity Bonds.

(w) *“Government Obligations”* has the meaning given in RCW 39.53.010, as now in effect or as may hereafter be amended.

(x) *“Gross Revenue”* means all of the earnings and revenues received by the City from the maintenance and operation of the System from any source whatsoever, including but not limited to: revenues from the sale, lease or furnishing of commodities, services, properties or facilities; all earnings from the investment of money in the Bond Fund, which earnings are deposited into the Principal and Interest Account; earnings from the investment of money in any maintenance fund or similar fund; all connection and capital improvement charges collected for the purpose of defraying the cost of capital facilities of the System; and withdrawals from the Rate Stabilization Fund. However, the Gross Revenue shall not include: (a) revenues from general ad valorem taxes; (b) principal proceeds of Parity Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund obligations relating to the System (until commingled with other earnings and revenues included in the Gross Revenue) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (c) income and revenue which may not legally be pledged for revenue bond debt service; (d) improvement district assessments; (e) federal or state grants, and gifts from any source, allocated to capital projects; (f) payments under bond insurance or other credit enhancement policy or device; (g) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (h) proceeds from the sale of System property; (i) earnings in any construction fund or bond redemption fund; (j) deposits to the Rate Stabilization Fund; or (k) revenue from any Separate System.

(y) *“Independent Utility Consultant”* means a professional consultant experienced with municipal utilities of comparable size and character to the System.

(z) *“Insurer”* means, for the 2008 Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), a New York stock insurance company, or any successor thereto or assignee thereof, and for any Future Parity Bonds any provider of bond insurance approved by the City Council by ordinance.

(aa) *“Issue Date”* means, with respect to a Bond, the date of initial issuance and delivery of that Bond to the Purchaser in exchange for the purchase price of that Bond.

(bb) *“Letter of Representations”* means the Blanket Issuer Letter of Representations between the City and DTC, dated November 25, 1996, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

(cc) *“Maximum Annual Debt Service”* means, as of the date of calculation, the maximum amount of Annual Debt Service that will mature or come due in the current calendar year or any future calendar year with respect to all outstanding Parity Bonds.

(dd) *“MSRB”* means the Municipal Securities Rulemaking Board.

(ee) *“Net Revenue”* for any calendar year means the Gross Revenue for that calendar year less Operations and Maintenance Costs for that calendar year. In calculating Net Revenue, the City shall not take into account any non-cash gains or losses with respect to any real or personal property, investment or agreement that it may be required to recognize under generally accepted accounting principles, such as unrealized mark-to-market gains and losses.

(ff) *“Note”* means the City’s outstanding Utility System Revenue Bond Anticipation Note, 2015, issued to provide interim financing for part of the cost of the Plan of Additions.

(gg) *“Official Statement”* means an offering document, disclosure document, private placement memorandum or substantially similar disclosure document provided to purchasers and potential purchasers in connection with the initial offering of a Series of the Bonds in conformance with Rule 15c2-12 or other applicable regulations of the SEC.

(hh) *“Operations and Maintenance Costs”* means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition, including without limitation payments of premiums for insurance on the System; costs incurred in connection with the acquisition of water or the securing of water rights; payments to any public or private entity for water service, sewage treatment and disposal service or other utility service in the event that the City combines such service into the combined utility system and enters into a contract for such service, including pro rata budget allocations or charges for the City’s administration expenses where those represent a reasonable distribution and share of actual costs; and any State-imposed taxes. Operations and Maintenance Costs shall exclude depreciation, taxes levied or imposed by the City, payments-in-lieu-of-taxes paid to the City, capital additions and capital replacements to the System.

(ii) *“Outstanding Parity Bonds”* means the 2008 Bonds and the 2010 Bonds.

(jj) *“Owner”* means, without distinction, the Registered Owner and the Beneficial Owner.

(kk) *“Parity Bonds”* means the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

(ll) *“Parity Conditions”* means the conditions for the issuance of Future Parity Bonds set forth in Section 16 of this ordinance.

(mm) *“Permitted Investments”* means investments that are legal investments for the City at the time of such investment.

(nn) *“Plan of Additions”* means the system or plan of additions and improvements to and betterments and extensions of the System specified in Exhibit A and incorporated by reference.

(oo) *“Principal and Interest Account”* means the account of that name created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

(pp) *“Purchaser”* means the corporation, firm, association, partnership, trust, bank, financial institution or other legal entity or group of entities selected by the Designated Representative to serve as purchaser in a private placement, underwriter or placement agent in a negotiated sale or awarded as the successful bidder in a competitive sale of any Series of the Bonds.

(qq) *“Rating Agency”* means any nationally recognized rating agency then maintaining a rating on any of the Parity Bonds at the request of the City.

(rr) *“Record Date”* means the Bond Registrar’s close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar’s close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 12.

(ss) *“Registered Owner”* means, with respect to a Parity Bond, the person in whose name that Parity Bond is registered on the Bond Register. For so long as the City utilizes the book-entry only system for the Parity Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

(tt) *“Reserve Account”* means the account of that name created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

(uu) *“Reserve Requirement”* means, as of any date of calculation, the lesser of Maximum Annual Debt Service on the outstanding Parity Bonds secured by the Reserve Account or 125% of Average Annual Debt Service on the outstanding Parity Bonds secured by the Reserve Account, but at no time shall the Reserve Requirement exceed 10% of the original proceeds of the Parity Bonds secured by the Reserve Account.

(vv) *“Reserve Security”* means any bond insurance, security, letter of credit, guaranty, surety bond or similar credit enhancement device providing for or securing the payment of all or part of the principal of and interest on the Parity Bonds, issued by an institution which has been assigned a credit rating at the time of issuance of the device in one of the two highest rating categories of each of at least two Rating Agencies (without regard to any gradations within a rating category).

(ww) “*Rule 15c2-12*” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

(xx) “*SEC*” means the United States Securities and Exchange Commission.

(yy) “*Securities Depository*” means DTC, any successor thereto, any substitute securities depository selected by the City that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

(zz) “*Separate System*” means any water supply, sewage collection or treatment, stormwater or other utility service or facilities that may be created, acquired or constructed by the City as provided in Section 17 of this Ordinance.

(aaa) “*Series of the Bonds*” or “*Series*” means a series of the Bonds issued pursuant to this ordinance.

(bbb) “*Significant Wholesale Customer*” means any person, firm, corporation or municipal corporation under any executed contract for water or other utility service, the revenue from which contract comprises 10% or more of the overall Gross Revenue of the System.

(ccc) “*State*” means the State of Washington.

(ddd) “*System*” means, for so long as any of the Parity Bonds are outstanding: (a) the combined waterworks system, system of sewerage and surface water system and all additions thereto and betterments and extensions thereof at any time made; and (b) any other system or utility that may lawfully be combined with the foregoing. The System shall not include any Separate System of the City.

(eee) “*System of Registration*” means the system of registration for the City’s bonds and other obligations set forth in Ordinance No. 810 of the City.

(fff) “*Term Bond*” means each Bond designated as a Term Bond and subject to mandatory redemption in the years and amounts set forth in the Bond Purchase Agreement, and those Parity Bonds designated as Term Bonds in the ordinances or bond purchase agreements authorizing the issuance of those bonds.

(ggg) “*ULID*” means utility local improvement district.

(hhh) “*ULID Assessments*” means all ULID assessments and installments thereof, plus interest and penalties thereon, in any ULID created to finance improvements to the System and to secure the payment of any Parity Bonds.

(iii) “*Undertaking*” means the undertaking to provide continuing disclosure entered into pursuant to Section 21 of this ordinance.

(jjj) “*Utility Construction Fund*” means the fund or account of that name created and established in the Water Fund.

Section 2. Findings.

(a) The City, pursuant to Ordinance No. 537, passed December 22, 1969, combined the waterworks system and system of sewerage of the City into a waterworks utility of the City, and such combined systems are maintained and operated jointly, which from time to time requires various additions, betterments and extensions. The City, pursuant to Ordinance No. 2114, passed November 25, 1996, combined the surface water system established by Ordinance No. 1813 of the City into the waterworks utility.

(b) Pursuant to Ordinance No. 2718, passed March 24, 2008, the City previously issued 2008 Bonds, in the original principal amount of \$10,000,000, for the purpose of providing funds to pay the cost of carrying out a plan of additions to the System and to current refund the City's then outstanding Water and Sewer Revenue Refunding Bonds, 1996.

(c) Pursuant to Ordinance No. 2856, passed October 25, 2010, the City previously issued 2010 Bonds, in the original principal amount of \$7,720,000, for the purpose of providing funds to pay the cost of carrying out a plan of additions to the System and to fund the Reserve Account.

(d) Pursuant to Ordinance No. 3118, passed March 23, 2015, the City previously issued the Bond Anticipation Note, in the original principal amount of \$8,000,000, for the purpose of providing interim financing with which to pay the cost of carrying out part of a plan additions to the System pending the issuance of utility system revenue bonds authorized therein.

(e) The City, in Section 21 of Ordinance No. 2718 reserved the right to issue utility system revenue bonds having a lien and charge on the Net Revenue of the System and ULID Assessments on a parity of lien and charge upon such Net Revenue and ULID Assessments of the 2008 Bonds for the payment of the principal thereof and interest thereon if the conditions set forth therein were met and complied with.

(f) The City Council deems it to be in the best interest of the City that the City issue the Bonds, which Bonds will be issued on a parity of lien with the Outstanding Parity Bonds, pursuant to the terms set forth in the Bond Purchase Agreement as approved by the City's Designated Representative consistent with this ordinance.

Section 3. Purpose and Authorization of Bonds. For the purpose of (i) redeeming the Note; (ii) carrying out the Plan of Additions; (iii) funding or providing a Reserve Security to meet the Reserve Requirement for the Bonds; and (iv) paying the costs of issuance and sale of the Bonds, the City is authorized to issue the Bonds in the amount of not to exceed \$46,000,000.

Section 4. Description of the Bonds; Appointment of Designated Representative. The Mayor is appointed as the Designated Representative of the City and is authorized and directed to conduct the sale of the Bonds in the manner and upon the terms deemed most advantageous to the City, and to approve the Final Terms of each Series of the Bonds, with such additional terms and covenants as the Designated Representative deems advisable, within the parameters set forth in Exhibit B, which is attached to this ordinance and incorporated by this reference.

Section 5. Bond Registrar; Registration and Transfer of Bonds.

(a) *Registration of Bonds.* Each Bond shall be issued only in registered form as to both principal and interest and the ownership of each Bond shall be recorded on the Bond Register.

(b) *Bond Registrar; Duties.* The Fiscal Agent is appointed as initial Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner 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 members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

(c) *Bond Register; Transfer and Exchange.* The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner. A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the next upcoming interest payment or redemption date.

(d) *Securities Depository; Book-Entry Only Form.* If a Bond is to be issued in book-entry form, DTC shall be appointed as initial Securities Depository and each such Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the City; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the City, the City may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the City does not appoint a substitute Securities Depository, or (ii) the City terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this ordinance.

Neither the City nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the City nor the Bond

Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner except such notice as is required to be given by the Bond Registrar to the Securities Depository.

Section 6. Form and Execution of Bonds.

(a) *Form of Bonds; Signatures and Seal.* Each Bond shall be prepared in a form consistent with the provisions of this ordinance and State law. Each Bond shall be signed by the Mayor and the City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the City authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Bond Registrar, or issued or delivered by the City, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on its Issue Date.

(b) *Authentication.* Only a Bond bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "Certificate Of Authentication. This Bond is one of the fully registered City of Lynnwood, Washington, [Name of Issue], described in the Bond Ordinance." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

Section 7. Payment of Bonds. Principal of and interest on each Bond shall be payable in lawful money of the United States of America. Principal of and interest on each Bond registered in the name of the Securities Depository is payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the City is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 8. Payments into Bond Fund. The Bond Fund has previously been created and established in the office of the Finance Director as a special fund of the City, which fund is divided into two accounts, a Principal and Interest Account and a Reserve Account.

(a) So long as any Parity Bonds are outstanding against the Bond Fund, the City obligates and binds itself to set aside and pay into the Bond Fund all ULID Assessments and, out of the Net Revenue, certain fixed amounts without regard to any fixed proportion, namely:

(1) Into the Principal and Interest Account on or before each debt service payment date an amount which, together with ULID Assessments and other money on deposit therein, will be sufficient to pay the debt service coming due and payable on that next debt service payment date, including mandatory redemption amounts due on that date with respect to any Term Bonds; and

(2) Into the Reserve Account, either:

(i) on the date of issue, and thereafter annually in regular installments an amount which, together with other money and Reserve Securities on deposit therein, will equal the Reserve Requirement for the outstanding Parity Bonds, which additional amount shall be accumulated by no later than five years from the date of issue; or

(ii) one or more Reserve Securities the value of which, together with any amount deposited under subsection (i) above, are equal to the Reserve Requirement for the outstanding Parity Bonds.

(b) The City covenants and agrees that it will at all times maintain in the Reserve Account an amount (including the value of all Reserve Securities deposited therein) equal to the Reserve Requirement, except for withdrawals as authorized in this subsection, until there is a sufficient amount in the Principal and Interest Account and Reserve Account to pay the principal of and interest on all outstanding Parity Bonds, at which time the money in the Reserve Account may be used to pay any such principal and interest so long as the money remaining on deposit in the Reserve Account is not less than the Reserve Requirement calculated based on the remaining outstanding Parity Bonds. If there are sufficient funds in the Bond Fund to pay all outstanding Parity Bonds and the Reserve Requirement as to those outstanding Parity Bonds is met, excess money in the Bond Fund may be used for any System purpose.

In the event that the amounts in the Bond Fund are insufficient to make any debt service payment on any outstanding Parity Bonds, amounts shall be withdrawn from the Reserve Account to make up that deficiency. Any deficiency created in the Reserve Account by reason of such a withdrawal shall then be made up from Net Revenue and from ULID Assessment payments, but only after necessary provision has been made for Operations and Maintenance Costs and for the required payments into the Principal and Interest Account.

(c) All money in the Bond Fund may be kept in cash; deposited with an institution (as permitted by law) in an amount in each institution not greater than the amount insured by any

department or agency of the United States Government; or invested in Permitted Investments or other legal investments permitted to the City maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Account). Income from investments in the Principal and Interest Account shall be deposited in that account. Income from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirements of all Parity Bonds, and thereafter shall be deposited in the Principal and Interest Account.

(d) The City may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of Parity Bonds as long as the maintenance of such accounts does not conflict with the rights of the owners of Parity Bonds.

(e) It is declared that in creating the Bond Fund and in fixing the amounts to be paid into it as aforesaid, the City Council has had due regard for Operations and Maintenance Costs and the debt service requirements of the outstanding Parity Bonds, and declares that it is not setting aside into the Bond Fund a greater amount than in its judgment will be available over and above such Operations and Maintenance Costs and the debt service requirements of the outstanding Parity Bonds.

If the City fails to set aside and pay into the Bond Fund the amounts set forth above, the owner of any of the outstanding Parity Bonds (or, for bonds insured by an Insurer, only the Insurer acting alone) may bring action against the City and compel the setting aside and payment.

Section 9. Rate Stabilization Fund. The Rate Stabilization Fund has previously been created and established in the office of the Finance Director. The City may at any time, as determined by the Finance Director and consistent with Section 14 of this Ordinance, deposit into the Rate Stabilization Fund amounts from Gross Revenue and any other money received by the System and available to be used for that purpose, excluding principal proceeds of any Future Parity Bonds. The Finance Director may at any time withdraw money from the Rate Stabilization Fund for inclusion in the Net Revenue for the current fiscal year of the System, except that the total amount withdrawn from the Rate Stabilization Fund in any calendar year may not exceed the total debt service of the System in that year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the calendar year for which the deposit or withdrawal will be included as Net Revenue.

Earnings from investments in the Rate Stabilization Fund shall be deposited in that fund and shall not be included as Net Revenue unless and until withdrawn from that fund as provided in this Section. The Finance Director may also deposit earnings from investments in the Rate Stabilization Fund into any System fund as authorized by ordinance, and such deposits shall be included as Net Revenue in the year of deposit.

No deposit shall be made into the Rate Stabilization Fund to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant calendar year.

Section 10. Finding as to Sufficiency of Revenue, Pledge of Revenue and Lien Position.

The City Council finds and determines that the Gross Revenue and benefits to be derived from the operation and maintenance of the System at the rates to be charged for service from the System will be more than sufficient to meet all Operations and Maintenance Costs and to permit the setting aside into the Bond Fund of the of amounts of Net Revenue that, together with ULID Assessments, will be sufficient to pay the principal of and interest on the Parity Bonds when due. The Net Revenue and all ULID Assessments are pledged for the payment of the Outstanding Parity Bonds, the Bonds and all Future Parity Bonds. This pledge shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other liens and charges whatsoever.

Section 11. Deposit of Bond Proceeds. Proceeds of the Bonds in an amount required to fully fund the Reserve Requirement shall be deposited in the Reserve Account. Alternatively, proceeds of the Bonds shall be used to provide a Reserve Security to meet the Reserve Requirement for the Bonds. The remaining proceeds of the Bonds shall be deposited in the Utility Construction Fund and used to redeem the Note and carry out the Plan of Additions, including payment of the costs of issuance of the Bonds. Money on deposit in the Utility Construction Fund may be invested and the investment earnings retained in the Utility Construction Fund and used for the purposes of that fund.

Section 12. Redemption Provisions and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds shall be subject to redemption at the option of the City on terms acceptable to the Designated Representative, as set forth in the Bond Purchase Agreement, consistent with the parameters set forth in Exhibit B.

(b) *Mandatory Redemption.* Each Bond that is designated as a Term Bond in the Bond Purchase Agreement, consistent with the parameters set forth in Exhibit B and except as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Agreement. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the City and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

(c) *Selection of Bonds for Redemption; Partial Redemption.* If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the City shall select the Series and maturities to be redeemed. If fewer than all of the outstanding Bonds of a maturity of a Series are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding

principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(d) *Notice of Redemption.* Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the Finance Officer shall determine, but these additional mailings shall not be a condition precedent to the redemption of any Bond.

(e) *Rescission of Optional Redemption Notice.* In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of optional redemption has been rescinded shall remain outstanding.

(f) *Effect of Redemption.* Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

(g) *Purchase of Bonds.* The City reserves the right to purchase any or all of the Bonds offered to the City at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Section 13. Failure To Pay Bonds. If the principal of any Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 14. Covenants. The City covenants and agrees with the owner of each of the Bonds as follows:

(a) It will establish, maintain, revise as necessary, and collect such rates and charges for the services furnished by the System (including those furnished under contract with wholesale customers) as will at least equal the Coverage Requirement.

(b) It will at all times maintain and keep the System in good repair, working order and condition, and also will at all times operate such utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) It will collect promptly all ULID Assessments. Such assessments may be used to pay the principal or interest on any Parity Bonds without those assessments being particularly allocated to the payment of principal of or interest on any particular series of Parity Bonds.

(d) It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the System unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all outstanding Parity Bonds. Furthermore, it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the System that is used, useful and material to its operation, unless provision is made (i) for the replacement of that portion of the System, or (ii) for the payment into the Bond Fund of an amount bearing the same ratio to the par amount of outstanding Parity Bonds as the amount of Net Revenue available for debt service derived during the preceding 12 month period from that portion of the System bears to the total Net Revenue available for debt service for such bonds for the same period. Any such money so paid into the Bond Fund shall be used to retire outstanding Parity Bonds at the earliest possible date and may be invested to the same extent and in the same manner as provided for the investment of money in the Reserve Account until so used.

(e) While any of the Parity Bonds remain outstanding it will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System, and it will furnish the owner or owners of the Parity Bonds or any subsequent owner or owners thereof, at the written request of such owner or owners, complete operating and income statements of the System in reasonable detail covering any calendar year not more than ninety days after the close of such calendar year. It will grant any owner or owners of at least 25 percent of the outstanding Parity Bonds the right at all reasonable times to inspect the entire System and all records, accounts and data relating thereto, and upon request of any owner of any of the Parity Bonds a copy of the most recently completed audit of the System accounts by the State Auditor of Washington.

(f) It will not furnish any service of the System free of charge to any customer whatsoever.

(g) It will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the System as are ordinarily carried on such buildings, equipment, facilities, and properties by utilities engaged in the operation of similar utility systems to the full insurable value thereof, and also will carry adequate public liability

insurance (and war risk insurance if available at reasonable rates) at all times. The premiums on such insurance policies are declared to be a normal part of Operations and Maintenance Costs.

(h) It will pay all Operations and Maintenance Costs and otherwise meet the obligations of the City as herein set forth.

(i) It will not change any rate or charge for services of the System as is now established by the existing rate resolution or resolutions of the City, or any contract with a Significant Wholesale Customer, if such change would substantially reduce the annual Net Revenue below that which would have been obtained before such change unless the City has on file a certificate from an Independent Utility Consultant, stating that after such change, the Net Revenue will remain sufficient to comply with all the covenants and requirements of this ordinance, including the Coverage Requirement.

(j) Except as provided in Section 16, the City will not create any special fund or funds for the payment of the principal of and interest on any other revenue obligations which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Net Revenue and ULID Assessments.

Section 15. Tax Covenants.

(a) *Preservation of Tax Exemption for Interest on Bonds.* The City covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds that will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds.

(b) *Post-Issuance Compliance.* The Finance Director is authorized and directed to review and update the City's written procedures to facilitate compliance by the City with the covenants in this ordinance and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Bonds from being included in gross income for federal tax purposes.

Section 16. Parity Provisions.

(a) The City may issue Future Parity Bonds only for lawful System purposes and only if the following conditions are met and complied with at the time of the issuance of those Future Parity Bonds:

(1) There must be no deficiency in the Bond Fund;

(2) The ordinance providing for the issuance of such Future Parity Bonds must provide that all ULID Assessments (including interest on those assessments) imposed in any ULID

created for the purpose of paying in whole or in part the principal of and interest on such Future Parity Bonds is to be paid directly into the Bond Fund;

(3) The ordinance authorizing those Future Parity Bonds must provide for the payment of the principal of and interest thereon out of the Bond Fund;

(4) Except in the case of Future Parity Bonds being issued for the sole purpose of providing for the refunding of Parity Bonds (for which no coverage certification under this subsection is required), no event of default, nor any event or condition that with notice and the passage of time would constitute an event of default shall have occurred and be continuing, nor shall the issuance of those Future Parity Bonds in and of itself cause an event of default or an event or condition which with notice and the passage of time would constitute an event of default;

(5) The applicable ordinance authorizing those Future Parity Bonds must provide for the deposit into the Reserve Account of any combination of Future Parity Bond proceeds, Reserve Security or other money legally available, in the amount necessary (if any) to make the amount on deposit in the Reserve Account equal to the Reserve Requirement upon the issuance of those Future Parity Bonds; and

(6) There shall be on file with the City a certificate (which may take into account the adjustments described in subsection 16(b)) of the City Finance Director, demonstrating that the Coverage Requirement was satisfied during any twelve consecutive calendar months out of the immediately preceding 24 calendar months (assuming that (A) those Future Parity Bonds were outstanding and that the debt service payable on those Future Parity Bonds in that 12 month period was equal to the Average Annual Debt Service on those Future Parity Bonds, and (B) any Parity Bonds to be refunded by those Future Parity Bonds are not outstanding).

(b) In determining whether the City is able to comply with the terms of the parity conditions, the certificate required under subsection 16(a)(6) above, may take into account the following adjustments to the historical Net Revenue for the relevant 12 month period:

(1) Any rate change that has taken place or been adopted by ordinance or contract may be reflected, including any changes in the rates charged to any Significant Wholesale Customer in effect and being charged, or expected to be charged in accordance with a program of specific levels or increase (or decreases) in overall revenue.

(2) Revenue from customers added or projected to be added to the System after the relevant 12-month period, including revenue from new Significant Wholesale Customers, may be adjusted to reflect one year's Net Revenue allocable to those new customers.

(3) A full year's revenue may be included on a pro forma basis from any customer being served but who has not been receiving service for the full period of operation used as a basis for the certificate.

(4) Actual or reasonably anticipated changes in the Operations and Maintenance Costs subsequent to the relevant 12-month period shall be added or deducted, as is applicable.

(5) Net Revenue allocable to any person, firm, corporation or municipal corporation under any executed contract for water or other utility service, which revenue was not included in the historical Net Revenue, may be included in Net Revenue.

(6) Transfers into or out of the Rate Stabilization Fund pursuant to Section 9 may be taken into account, and those amounts may be added to or deducted from Net Revenues, as applicable.

(c) If Future Parity Bonds are being issued for the sole purpose of refunding Parity Bonds (including costs of issuance and providing for the Reserve Requirement), no coverage certification is required under this Section 16 if, as result of the issuance of those Future Parity Bonds, (a) the Annual Debt Service on the Future Parity Bonds to be issued is not increased by more than \$5,000 over the Annual Debt Service for that year of the bonds being refunded, and (b) the various annual maturities of the refunding Future Parity Bonds will not extend more than one year longer than the Parity Bonds being refunded.

Nothing contained in this Section 16 shall prevent the City from issuing revenue bonds having a junior lien on the Net Revenue or from pledging the payment of assessments in any ULID into a bond redemption fund or account created to pay and secure the payment of the principal of and interest on such junior lien bonds as long as such assessments are levied to pay part or all of the cost of improvements being constructed out of the proceeds of the sale of such junior lien bonds.

Section 17. Separate Utility Systems. The City may create, acquire, construct, finance, own and operate one or more additional systems for water supply, sewer service, water, sewage or stormwater transmission, treatment or other commodity or utility service. The revenue of that Separate System, and any ULID Assessments payable solely with respect to improvements to a Separate System, shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate System. Neither the Gross Revenue nor the Net Revenue may be pledged to the payment of any obligations of a Separate System except that the Net Revenue may be pledged on a basis subordinate to the lien of the Parity Bonds.

Section 18. Flow of Funds. The Net Revenue shall be used for the following purposes only and shall be applied in the following order of priority:

(a) To make when due the required payments into the Principal and Interest Account in respect of interest on the Parity Bonds.

(b) To make when due the required payments into the Principal and Interest Account in respect of principal of and premium, if any, on the Parity Bonds, whether at maturity or pursuant

to redemption prior to maturity, and to make payments due under any reimbursement agreement with an Insurer that requires those payments to be made on a parity with the Parity Bonds.

(c) To make when due all payments required to be made into the Reserve Account, all payments required to be made under any agreement relating to the provision of Reserve Security, and all payments required to be made under any reimbursement agreement with a Reserve Security provider that requires those payments to be made on a parity with the payments required to be made into the Reserve Account.

(d) To make when due all payments required to be made under any reimbursement agreement with an Insurer other than payments to be made on a parity with the Parity Bonds, and all payments required to be made under any reimbursement agreement with a Reserve Security provider other than payments to be made on a parity with the payments to be made into the Reserve Account, in any priority not inconsistent with this ordinance that the City may hereafter establish by ordinance.

(e) To make when due the required payments to be made into any revenue bond, note warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay and secure the payment of any revenue bonds, warrants, notes or other obligations of the System having a charge upon the Net Revenue junior and inferior to the charge thereon for the payment of the principal of and premium (if any), and interest on the Parity Bonds, and all payments required to be made into the Reserve Account under any ordinance authorizing an issue of Parity Bonds, in any priority not inconsistent with this ordinance, that the City may hereafter establish by ordinance.

(f) For any other lawful System purposes, in any priority not inconsistent with this ordinance that the City may hereafter establish by ordinance.

Section 19. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on any or all of the Bonds (the “defeased Bonds”); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the City sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the “trust account”), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. Thereafter, the Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account and the defeased Bonds shall be deemed no longer outstanding. In that event, the City may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose.

Unless otherwise specified by the City in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or

defeasance shall be conducted, in the manner prescribed in this ordinance for the redemption of Bonds.

Section 20. Sale and Delivery of the Bonds.

(a) *Manner of Sale of Bonds; Delivery of Bonds.* The Designated Representative is authorized to sell each Series of the Bonds by negotiated sale or private placement or by competitive sale in accordance with a notice of sale consistent with this ordinance, based on the assessment of the Designated Representative of market conditions, in consultation with appropriate City officials and staff, Bond Counsel and other advisors. In determining the method of sale of a Series and accepting the Final Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the City.

(b) *Procedure for Negotiated Sale or Private Placement.* If the Designated Representative determines that a Series of the Bonds is to be sold by negotiated sale or private placement, the Designated Representative shall select one or more Purchasers with which to negotiate such sale. The Bond Purchase Agreement for each Series of the Bonds shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of the City, so long as the terms provided therein are consistent with the terms of this ordinance.

(c) *Procedure for Competitive Sale.* If the Designated Representative determines that a Series of the Bonds is to be sold by competitive sale, the Designated Representative shall cause the preparation of an official notice of bond sale setting forth parameters for the Final Terms and any other bid parameters that the Designated Representative deems appropriate consistent with this ordinance. Bids for the purchase of each Series of the Bonds shall be received at such time or place and by such means as the Designated Representative directs. On the date and time established for the receipt of bids, the Designated Representative (or the designee of the Designated Representative) shall open bids and shall cause the bids to be mathematically verified. The Designated Representative is authorized to award, on behalf of the City, the winning bid and accept the winning bidder's offer to purchase that Series of the Bonds, with such adjustments to the aggregate principal amount and principal amount per maturity as the Designated Representative deems appropriate, consistent with the terms of this ordinance, and such award shall constitute the Bond Purchase Agreement. The Designated Representative may reject any or all bids submitted and may waive any formality or irregularity in any bid or in the bidding process if the Designated Representative deems it to be in the City's best interest to do so. If all bids are rejected, that Series of the Bonds may be sold pursuant to negotiated sale or in any manner provided by law as the Designated Representative determines is in the best interest of the City, within the parameters set forth in this ordinance.

(d) *Preparation, Execution and Delivery of the Bonds.* The Bonds will be prepared at City expense and will be delivered to the Purchaser in accordance with the Bond Purchase Agreement, together with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 21. Official Statement; Continuing Disclosure.

(a) *Preliminary Official Statement Deemed Final.* The Designated Representative shall review and, if acceptable to him or her, approve the preliminary Official Statement prepared in connection with each sale of a Series of the Bonds to the public or through a Purchaser as a placement agent. For the sole purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, if applicable, the Designated Representative is authorized to deem that preliminary Official Statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The City approves the distribution to potential purchasers of the Bonds of a preliminary Official Statement that has approved by the Designated Representative and been deemed final, if applicable, in accordance with this subsection.

(b) *Approval of Final Official Statement.* The City approves the preparation of a final Official Statement for each Series of the Bonds to be sold to the public in the form of the preliminary Official Statement that has been approved and deemed final in accordance with subsection (a), with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final Official Statement to the Purchaser if required under Rule 15c2-12. The City authorizes and approves the distribution by the Purchaser of the final Official Statement so executed and delivered to purchasers and potential purchasers of a Series of the Bonds.

(c) *Undertaking to Provide Continuing Disclosure.* If necessary to meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to the Purchaser acting as a participating underwriter for a Series of the Bonds, the Designated Representative is authorized to execute a written undertaking to provide continuing disclosure for the benefit of holders of a Series of the Bonds in substantially the form attached as Exhibit C.

Section 22. Supplemental and Amendatory Ordinances.

(a) This ordinance shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of this section.

(b) The City may from time to time and at any time, without the consent of or notice to the Registered Owners of the Parity Bonds, pass supplemental ordinances as follows:

(1) to cure any formal defect, omission, inconsistency or ambiguity in this ordinance;

(2) to impose upon the Bond Registrar (with its consent) for the benefit of the Registered Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this ordinance as previously in effect;

(3) to add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance other covenants, agreements, limitations and restrictions to be

observed by the City which are not contrary to or inconsistent with this ordinance as previously in effect;

(4) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this ordinance of any other money, securities or funds;

(5) to authorize different denominations of the Bonds and to make correlative amendments and modifications to this ordinance regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(6) to modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the registered owners of the Bonds and which does not involve a change described in subsection 22(c) of this section.

Before any supplemental ordinance pursuant to this subsection 22(b) shall become effective, there be delivered to the City and the Bond Registrar an opinion of Foster Pepper PLLC, or other nationally recognized bond counsel, stating that such supplemental ordinance is authorized or permitted by this ordinance and will, upon its effective date, be valid and binding upon the City in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.

(c) Except for any supplemental ordinance passed pursuant to subsection 22(b) of this section, subject to the terms and provisions contained in this subsection 22(b) and not otherwise, Registered Owners of not less than a majority of the aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve the passage by the City Council of the City of any supplemental ordinance deemed necessary or desirable by the City for the purposes modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance.

However, unless approved in writing by each Registered Owners of each Parity Bond then outstanding, nothing contained in this section shall permit, or be construed at permitting:

(1) a change in the times, amounts or currency of payment of the principal of or interest on any outstanding Bond, or a reduction in the principal amount or redemption price of any outstanding Bond, or a change in the method or redemption price of any outstanding Bond, or a change in the method of determining the rate of interest thereon;

(2) a preference or priority of any Bond or Bonds over any other Bond or Bonds;
or

(3) a reduction in the aggregate principal amount of Bonds the consent of the registered owners of Bonds of which is required for any such supplemental ordinance.

If at any time the City shall pass any supplemental ordinance for any of the purposes of this subsection 23(c), the Bond Registrar shall cause notice of the proposed supplemental ordinance to

be given by first class United States mail to all registered owners of the then-outstanding Bonds, to each Rating Agency that has provided a rating on an issue of the Parity Bonds, and to any Insurer. Such notice shall briefly set forth the nature of the proposed supplemental ordinance and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by all Registered Owners.

Within two years after the date of the mailing of such notice, the City may pass such supplemental ordinance in substantially the form described in such notice, but only if there shall have first been delivered to the Bond Registrar: (1) the required consents, in writing, of the Registered Owners, and (2) an opinion of Foster Pepper PLLC, or other nationally recognized bond counsel, stating that such supplemental ordinance is authorized or permitted by this ordinance and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms and will not adversely affect the exclusion from federal income taxation of interest on the Bonds.

If the Registered Owners of not less than the percentage of Bonds required by this subsection 23(c) have consented to and approved the execution and delivery thereof as herein provided, no owner of the Bonds shall have any right to object to the passage of such supplemental ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City or the Bond Registrar from passing the same or from taking any action pursuant to the provisions thereof.

Upon the execution and delivery of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all Registered Owners shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such modifications and amendments.

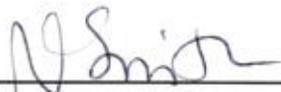
Section 23. General Authorization and Ratification. The Designated Representative and other appropriate officers of the City are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this ordinance, and to do everything necessary for the prompt delivery of each Series of the Bonds to the Purchaser thereof and for the proper application, use and investment of the proceeds of the Bonds. All actions taken prior to the effective date of this ordinance in furtherance of the purposes described in this ordinance and not inconsistent with the terms of this ordinance are ratified and confirmed in all respects.

Section 24. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 25. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council of the City of Lynnwood, Washington, at a regular open public meeting thereof on the 22nd day of June, 2015, and signed in authentication of its passage this 22nd day of June, 2015.

APPROVED:



Nicola Smith, Mayor

ATTEST:



Sonja Springer, Finance Director

APPROVED AS TO FORM:



Foster Pepper PLLC, Bond Counsel

EXHIBIT A
PLAN OF ADDITIONS

The projects contained in the City’s six-year capital plan for water, sewer and surface water utilities, including the components listed below, are collectively the “Plan of Additions”:

Water Improvements

- Water Tank Modifications
- Water Meter Replacement Program
- Water Line Replacement Program
- Water Meter Reading Replacement

Sewer Improvements

- Screw Press
- Lift Station No. 16 Facility and Forcemain Project
- Lift Station No. 4 Facility Upgrade and Forcemain Project
- Lift Station No. 8 Facility Upgrade and Forcemain Project
- Lift Station No. 10 Facility Upgrades
- Wastewater Treatment Plant Facility Upgrades
- Wastewater Treatment Plant Bar Screen Replacement Project
- Secondary Aeration System
- 204th Street SW Utility Improvements
- 60th Avenue W Sewer Rehab
- Wastewater Treatment Plant Incinerator System Upgrade Project
- Wastewater Treatment Plant Incinerator Controls and Upgrades
- Wastewater Treatment Plant Building Modifications
- Sewer Line Replacement Program

Stormwater Improvements

- 36th Avenue W Utility Improvements
- 196th Street SW Utility Improvements
- Poplar Way Utility Improvements
- 53rd Avenue W Drainage Improvements
- Ash/Maple Floor Reduction
- Scriber Creek Corridor Flood Reduction Program

EXHIBIT B
DESCRIPTION OF THE BONDS

- (a) Principal Amount. The Bonds may be issued in one or more Series and shall not exceed the aggregate principal amount of \$46,000,000.
- (b) Date or Dates. Each Bond shall be dated its Issue Date, which date may not be later than December 31, 2016.
- (c) Denominations, Name, etc. The Bonds shall be issued in Authorized Denominations and shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.
- (d) Interest Rate(s). Each Bond shall bear interest at a fixed rate per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent date for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds. No rate of interest for any Bond may exceed 5.00%, and the true interest cost to the City for each Series of the Bonds may not exceed 5.00%.
- (e) Payment Dates. Interest shall be payable semiannually on dates acceptable to the Designated Representative, commencing no later than one year following the Issue Date. Principal payments shall commence on a date acceptable to the Designated Representative and shall be payable at maturity or in mandatory redemption installments, on dates acceptable to the Designated Representative.
- (f) Final Maturity. Each Series shall mature no later than 25 years after the Issue Date.
- (g) Redemption Rights. The Designated Representative may approve in the Bond Purchase Agreement provisions for the optional and mandatory redemption of Bonds, subject to the following:

(1) Optional Redemption. Any Bond may be designated as being (A) subject to redemption at the option of the City prior to its maturity date on the dates and at the prices set forth in the Bond Purchase Agreement; or (B) not subject to redemption prior to its maturity date. If a Bond is subject to optional redemption prior to its maturity, it must be subject to such redemption on one or more dates occurring not more than 10½ years after the Issue Date.

(2) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in the amounts set forth in the Bond Purchase Agreement.

(h) Price. The purchase price for each Series of the Bonds may not be less than 98% or more than 120% of the stated principal amount of that Series.

(i) Other Terms and Conditions. (1) The Designated Representative may determine whether it is in the City's best interest to provide for bond insurance or other credit enhancement; and may accept such additional terms, conditions and covenants as he or she may determine are in the best interests of the City, consistent with this ordinance.

(2) The Designated Representative must have determined that the Parity Conditions have been met and satisfied as of the Issue Date of the Bonds.

(j) Manner of Sale The Designated Representative is authorized to determine the manner of sale of the Note in accordance with Section 20 of this ordinance.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

City of Lynnwood, Washington Utility System Revenue Bonds, 2015

The City of Lynnwood, Washington (the “City”), makes the following written Undertaking for the benefit of holders of the above-referenced bonds (the “Bonds”), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance No. 3141 of the City (the “Bond Ordinance”).

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

- (i) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in paragraph (b) (“annual financial information”);
- (ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (b).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in paragraph (a):

(i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State such as the City, as such principles may be changed from time to time, which statements may be unaudited, provided, that if and when audited financial statements are prepared and available they will be provided; (2) a statement of authorized, issued and outstanding bonded debt secured by the Net Revenue; (3) debt service coverage ratios; and (4) general utility customer statistics of the type included in the Official Statement under the heading "The Utility System";

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 2015; and

(iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. This Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the City and the holder of each Bond, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if the provisions of Rule 15c2-12 that require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with this Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take action to compel the City or other obligated person to comply with this Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Officer or his or her designee is the person designated, in accordance with the Bond Ordinance, to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

- (i) Preparing and filing the annual financial information undertaken to be provided;
- (ii) Determining whether any event specified in paragraph (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;
- (iii) Determining whether any person other than the City is an “obligated person” within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person required under Rule 15c2-12;
- (iv) Selecting, engaging and compensating designated agents and consultants, including financial advisors and legal counsel, to assist and advise the City in carrying out this Undertaking; and
- (v) Effecting any necessary amendment of this Undertaking.

CERTIFICATION

I, the undersigned, City Clerk of the City of Lynnwood, Washington (the "City"), hereby certify as follows:

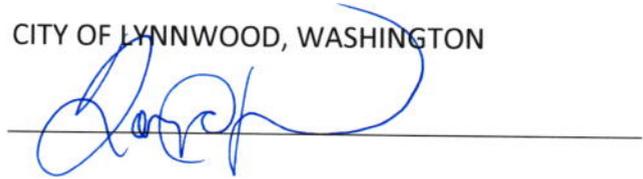
1. The attached copy of Ordinance No. 3141 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on June 22, 2015, as that ordinance appears on the minute book of the City.

2. The Ordinance will be in full force and effect five days after publication in the City's official newspaper, which publication date is expected to be June 26, 2015.

3. A quorum of the members of the City Council was present throughout the meeting and a majority of the members voted in the proper manner for the passage of the Ordinance.

Dated: June 22, 2015.

CITY OF LYNNWOOD, WASHINGTON





On the, 22nd day of June, 2015 the City Council of the City of Lynnwood, Washington, passed ordinance 3141. A summary of the content of this ordinance, consisting of the title, provides as follows:

ORDINANCE NO. 3141

AN ORDINANCE RELATING TO THE UTILITY SYSTEM OF THE CITY, RELATING TO CONTRACTING INDEBTEDNESS; PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED \$46,000,000 AGGREGATE PRINCIPAL AMOUNT OF UTILITY SYSTEM REVENUE BONDS, 2015, TO (I) REDEEM THE CITY'S UTILITY SYSTEM REVENUE BOND ANTICIPATION NOTE, 2015, (II) FINANCE A PORTION OF THE CARRYING OUT OF A SYSTEM OR PLAN OF ADDITIONS TO AND BETTERMENTS AND EXTENSIONS OF THE SYSTEM, (III) FUND A PORTION OF THE RESERVE, AND (IV) PAY THE COSTS OF ISSUANCE AND SALE OF THE BONDS; FIXING OR SETTING PARAMETERS WITH RESPECT TO CERTAIN TERMS AND COVENANTS OF THE BONDS; APPOINTING THE CITY'S DESIGNATED REPRESENTATIVE TO APPROVE THE FINAL TERMS OF THE SALE OF THE BONDS; AND PROVIDING FOR OTHER.

The full text of this ordinance will be mailed upon request.

DATED this 25th day of June, 2015.



Debbie Karber, Deputy City Clerk

Everett Daily Herald

Affidavit of Publication

State of Washington }
County of Snohomish } ss

Kathleen Landis being first duly sworn, upon oath deposes and says: that he/she is the legal representative of the Everett Daily Herald a daily newspaper. The said newspaper is a legal newspaper by order of the superior court in the county in which it is published and is now and has been for more than six months prior to the date of the first publication of the Notice hereinafter referred to, published in the English language continually as a daily newspaper in Snohomish County, Washington and is and always has been printed in whole or part in the Everett Daily Herald and is of general circulation in said County, and is a legal newspaper, in accordance with the Chapter 99 of the Laws of 1921, as amended by Chapter 213, Laws of 1941, and approved as a legal newspaper by order of the Superior Court of Snohomish County, State of Washington, by order dated June 16, 1941, and that the annexed is a true copy of EDH641366 ORDINANCE 3040, 3141 as it was published in the regular and entire issue of said paper and not as a supplement form thereof for a period of 1 issue(s), such publication commencing on 06/25/2015 and ending on 06/25/2015 and that said newspaper was regularly distributed to its subscribers during all of said period.

The amount of the fee for such publication is \$59.44.

Kathleen Landis

Subscribed and sworn before me on this

26 day of June,
2015

Debra Ann Grigg

DEBRA ANN GRIGG
Notary Public
State of Washington
My Commission Expires
October 31, 2017

Notary Public in and for the State of
Washington.

City of Lynnwood - LEGAL ADS | 14127890
DEBBIE KARBBER



CITY OF LYNNWOOD

On the 22nd day of June, 2015 the City Council of the City of Lynnwood, Washington, passed ordinances: 3140 and 3141. A summary of the content of these ordinances, consisting of the title, provides as follows:

ORDINANCE NO. 3140

AN ORDINANCE OF THE CITY OF LYNNWOOD, WASHINGTON, CORRECTING NON-SUBSTANTIVE, MANIFEST ERRORS, AMENDING PROCEDURAL PROVISIONS, AND REMOVING EXPIRED PROVISIONS WITHIN TITLE 21 OF THE LYNNWOOD MUNICIPAL CODE (LMC), AMENDING LMC 21.12.400(D), LMC 21.16.310, LMC 21.25.145, LMC 21.46.100, LMC 21.46.116, LMC 21.48.116, LMC 21.50.100, AND LMC 21.50.210, AND PROVIDING FOR SEVERABILITY, AN EFFECTIVE DATE AND SUMMARY PUBLICATION.

ORDINANCE NO. 3141

AN ORDINANCE RELATING TO THE UTILITY SYSTEM OF THE CITY, RELATING TO CONTRACTING INDEBTEDNESS; PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF NOT TO EXCEED \$46,000,000 AGGREGATE PRINCIPAL AMOUNT OF UTILITY SYSTEM REVENUE BONDS, 2015, TO (I) REDEEM THE CITY'S UTILITY SYSTEM REVENUE BOND ANTICIPATION NOTE, 2015, FINANCE A PORTION OF THE CARRYING OUT OF A SYSTEM OR PLAN OF ADDITIONS TO AND BETTERMENTS AND EXTENSIONS OF THE SYSTEM, FUND A PORTION OF THE RESERVE, AND (IV) PAY THE COSTS OF ISSUANCE AND SALE OF THE BONDS; FIXING OR SETTING PARAMETERS WITH RESPECT TO CERTAIN TERMS AND COVENANTS OF THE BONDS; APPOINTING THE CITY'S DESIGNATED REPRESENTATIVE TO APPROVE THE FINAL TERMS OF THE SALE OF THE BONDS; AND PROVIDING FOR OTHER.

The full text of this ordinance will be mailed upon request.
DATED this 30th day of June, 2015.

Published: June 25, 2015.

Debbie Karber, Deputy City Clerk
EDH641366