

CITY OF FIFE, WASHINGTON

ORDINANCE NO. 1822

AN ORDINANCE RELATING TO LOCAL IMPROVEMENT DISTRICTS; ESTABLISHING CONSOLIDATED LOCAL IMPROVEMENT DISTRICT NO. 1 AND CONSOLIDATED LOCAL IMPROVEMENT FUND, DISTRICT NO. 1; AUTHORIZING THE ISSUANCE OF ITS CONSOLIDATED LOCAL IMPROVEMENT DISTRICT NO. 1 BONDS IN ONE OR MORE SERIES IN AN ORIGINAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$5,018,370; PROVIDING FOR THE DATE, DENOMINATIONS, FORM, TERMS, REGISTRATION PROVISIONS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS AND COVENANTS OF SUCH BONDS; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SUCH BONDS; PROVIDING FOR THE NEGOTIATED SALE AND DELIVERY OF SUCH BONDS TO D.A. DAVIDSON & CO., SEATTLE, WASHINGTON; PROVIDING FOR THE MAINTENANCE AND OPERATION OF THE CITY'S LOCAL IMPROVEMENT DISTRICT GUARANTY FUND; AND ESTABLISHING THE INTEREST RATE ON LOCAL IMPROVEMENT DISTRICT ASSESSMENT INSTALLMENTS AND DELINQUENT PAYMENTS.

WHEREAS the City Council of the City of Fife, Washington (the "City"), heretofore has created Local Improvement District No. 08-1 ("LID 08-1") and Local Improvement District No. 08-2 ("LID 08-2" and, together with LID 08-1, the "LIDs") for various purposes; and

WHEREAS, RCW 35.45.160 authorizes the establishment of consolidated local improvement districts for the purpose of issuing bonds only and provides that if the governing body of any municipality orders the creation of such consolidated local improvement district, the money received from the installment payment of the principal of and interest on assessments levied within the original local improvement districts shall be deposited in a consolidated local improvement district bond redemption fund to be used to redeem outstanding consolidated local improvement district bonds; and

WHEREAS, the City Council deems it to be in the best interest of the City that the City establish such a consolidated local improvement district for the purpose of issuing bonds for the LIDs and to negotiate the sale of such bonds to D.A. Davidson & Co. (the "Purchaser") pursuant to a written purchase agreement (the "Purchase Agreement"), to be dated the date of sale, by and between the Purchaser and the City, in substantially the same form as the draft dated November 27, 2012, a copy of which is on file with the City Clerk and is incorporated herein by this reference; now, therefore,

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

Section 1. Consolidation of Local Improvement Districts. The 30-day period for making cash payment of assessments without interest having expired in the case of the assessments in each of the LIDs, for the purpose of issuing bonds only, the City hereby consolidates the LIDs into a consolidated local improvement district to be known and designated as Consolidated Local Improvement District No. 1 (“CLID No. 1”), as described in Exhibit A hereto, which is incorporated herein by this reference.

Section 2. Bond Fund. There is created and established in the office of the Finance Director/Treasurer, a special consolidated local improvement district fund for CLID No. 1, to be known and designated as Consolidated Local Improvement Fund, District No. 1 (the “Bond Fund”). All money presently on hand representing collections pertaining to installments of assessments and interest thereon in each of the LIDs shall be transferred to and deposited in the Bond Fund after the payment of obligations of such funds provided in Section 14 hereof, and all collections pertaining to assessments on the assessment rolls of those local improvement districts when hereafter received shall be deposited in the Bond Fund to redeem outstanding CLID No. 1 bonds. The City may invest funds in the Bond Fund in any legal investment and the investment earnings shall be retained therein and applied to the purposes of the Bond Fund.

Section 3. Authorization and Description of Bonds. The City hereby authorizes the issuance of the City’s “Consolidated Local Improvement District No. 1 Bonds, 2013 (the “Bonds”) in one or more series in an original aggregate principal amount not to exceed \$5,018,370, such amount being the total amount on the assessment rolls of the LIDs remaining uncollected after the expiration of the respective 30-day interest-free prepayment periods for assessments on those assessment rolls. Each series of Bonds shall be designated with an applicable series designation and with the additional designations of “(Federally Tax-Exempt)” for any series of Bonds the interest on which is intended to be exempt from federal income taxation under the Internal Revenue Code of 1986, as amended (the “Code”) (“Tax-Exempt Bonds”), or “(Federally Taxable)” for any series of Bonds the interest on which is not intended to be exempt from federal income taxation under the Code (“Taxable Bonds”), as applicable, all as established by the Purchase Agreement. The Bonds of each series shall be dated their date of issue (the “Date of Issue”), shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent interest payment date to which interest has been paid, whichever is later, at the rates and payable on January 1, 2014, and on each January 1 thereafter to their maturity or earlier redemption (each, an “Interest Payment Date”), shall be subject to redemption prior to maturity at the prices, in the amounts and in the manner, and shall be subject to such other terms and provisions as established in the Purchase Agreement. The Taxable Bonds shall mature on January 1, 2023 and the Tax-Exempt Bonds shall mature on January 1, 2030. The Bonds of each series shall be fully registered as to both principal and interest, shall be in the denomination of \$5,000 each or any integral multiple thereof (except that one certificate may be issued in a different denomination if the principal amount of the Bonds of such series then outstanding is not a multiple of \$5,000), and shall be numbered separately in such manner and with such additional designation as the fiscal agency of the State of Washington (the “State”), currently The Bank of New York Mellon in New York, New York (the “Registrar”), may deem necessary for the purpose of identification.

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

On the Date of Issue, all the Bonds of each series shall be issued in the form of a single certificate, which certificate shall be registered in the name of The Depository Trust Company or any successor thereto engaged to operate a book-entry system for recording the beneficial ownership of the Bonds, as Custodian (the "Custodian"), or its nominee, and delivered to the Custodian. The Custodian shall hold, or cause to be held on its behalf by the Registrar, each such Bond certificate in fully immobilized form for the benefit of the beneficial owners of the Bonds (the "Beneficial Owners") pursuant to the Letter of Representations (the "Letter of Representations"), from the City to the Custodian pertaining to the payment of the Bonds of such series and the book-entry system, until the earliest to occur of either (a) the date of maturity of the Bonds of such series evidenced by such certificate, at which time the Custodian shall surrender such certificate to the Registrar for payment of the principal of and interest on such Bonds coming due on such date, and the cancellation thereof; (b) the fifth business day following the date of receipt by the Registrar of the City's request to terminate the book-entry system of registering the beneficial ownership of the Bonds of such series (the "Book-Entry Termination Date"); or (c) the date the City determines to utilize a new Custodian for the Bonds of such series, at which time the old Custodian shall (provided the City is not then in default of any payment then due on the outstanding Bonds of such series) surrender the immobilized certificates to the Registrar for transfer to the new Custodian and cancellation as herein provided.

For so long as any outstanding Bonds of a series are registered in the name of the Custodian or its nominee and held by the Custodian in fully immobilized form as described in this Section 3, the rights of the Beneficial Owners thereof shall be evidenced solely by an electronic and/or manual entry made from time to time on the records established and maintained by the Custodian in accordance with the related Letter of Representations, and no certificates evidencing such Bonds shall be issued and registered in the name of any Beneficial Owner or such Beneficial Owner's nominee.

The City may terminate the "book-entry" system of registering ownership of the Bonds of any series at any time (provided the City is not then in default of any payment then due on the outstanding Bonds of such series) by delivering to the Registrar: (1) a written request that it issue and deliver a certificate (or certificates, at the option of the Beneficial Owner) evidencing such Bonds to each Beneficial Owner or such Beneficial Owner's nominee on the Book-Entry Termination Date; (2) a list identifying the Beneficial Owners as to both name and address; and (3) a supply of certificates evidencing such Bonds, if necessary, for such purpose. Upon surrender to the Registrar of the immobilized certificates evidencing all of the Bonds of a series then outstanding, the Registrar shall issue and deliver a new certificate (or certificates, at the option of the Beneficial Owner) to each Beneficial Owner or such Beneficial Owner's duly appointed agent, naming such Beneficial Owner or such Beneficial Owner's nominee as the registered owner (the "Owner") thereof. Such certificates may be in any integral multiple of \$5,000, except that one certificate may be issued in a different denomination if the principal amount of the Bonds of such series then outstanding is not a multiple of \$5,000. Following such issuance, the Owners of such Bonds may transfer and exchange such Bonds in accordance with Section 9 hereof.

Neither the City nor the Registrar shall have at any time any responsibility or liability to any Beneficial Owner of any Bonds or to any other person for any error, omission, action or failure to act on the part of the Custodian with respect to payment, when due, to the Beneficial Owner of the principal and interest on the Bonds, proper recording of beneficial ownership of Bonds, proper transfers of such beneficial ownership, or any notices to Beneficial Owners or any other matter pertaining to the Bonds.

Section 4. Place, Manner and Medium of Payment. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Prior to the Book-Entry Termination Date, if any, with respect to a series of Bonds, the principal and interest on such Bonds shall be paid by the Registrar to the Custodian as the sole Owner thereof, for the benefit of the Beneficial Owners thereof, in accordance with the related Letter of Representations. From and after the Book-Entry Termination Date, if any, with respect to a series of Bonds, interest on such Bonds shall be paid by check or draft mailed by the Registrar on or before the interest payment date, to the persons who are named as the Owners of such Bonds on the registration books for such Bonds maintained by the Registrar (the "Bond Register") on the fifteenth day of the month preceding the interest payment date, and upon presentation and surrender of such Bonds at maturity or earlier redemption. From and after the Book-Entry Termination Date, if any, with respect to a series of Bonds, principal of such Bonds shall be payable only upon presentation and surrender of such Bonds by the Owners upon maturity or earlier redemption at the principal corporate trust office of the Registrar.

Section 5. Redemption; Cancellation. The City reserves the right and option to redeem the Bonds of each series prior to their stated maturity date, in whole or in part, on any Interest Payment Date commencing on January 1, 2014, and shall call Bonds for redemption whenever there shall be sufficient money in the Bond Fund to pay the Bonds so called over and above the amount required for the payment of the interest payable on that Interest Payment Date on all unpaid Bonds; provided, that the City shall call all Taxable Bonds for redemption prior to redeeming any Tax-Exempt Bonds.

Prior to the Book-Entry Termination Date, if any, with respect to a series of Bonds, the Registrar shall give, or cause to be given, notice of a call for redemption of such Bonds to the Custodian, as the Owner thereof, for the benefit of the Beneficial Owners thereof, in accordance with the Letter of Representations. From and after the Book-Entry Termination Date, if any, with respect to a series of Bonds, and unless waived by the Owner of any Bond to be redeemed, notice of any such redemption shall be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Owners of each Bond to be redeemed at their respective addresses appearing on the Bond Register on the day notice is mailed. The requirements of this section shall be deemed to be complied with when notice is mailed as herein provided, whether or not it is actually received by the Owner.

If such notice shall have been given as herein provided and the City shall have set aside, on the date fixed for redemption, funds sufficient to pay the full redemption price for the payment of all Bonds called for redemption, the Bonds so called shall cease to accrue interest after such redemption date, and all such Bonds shall be deemed not to be outstanding hereunder for any purposes, except that the Owners thereof shall be entitled to receive payment of the redemption price and accrued interest to the redemption date from the money set aside for such purpose.

All Bonds so redeemed shall be cancelled by the Registrar.

Section 6. Pledge of Assessment Payments. Assessments collected in the LIDs, together with interest and penalties, if any, are pledged to the payment of the Bonds, which are payable solely out of the Bond Fund and the Local Improvement Guaranty Fund of the City (the “Guaranty Fund”) in the manner provided by law. The Bonds are not general obligations of the City.

Section 7. Form and Execution of the Bonds. The Bonds shall be typewritten, printed or lithographed on good bond paper in a form consistent with this Ordinance and State law.

The Bonds shall be signed on behalf of the City with the facsimile or manual signatures of the Mayor and the City Clerk, and shall have the seal of the City impressed or a facsimile thereof imprinted thereon.

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

Section 8. Authentication of Bonds by Registrar. The Registrar is authorized and directed, on behalf of the City, to authenticate and deliver Bonds initially issued or transferred in accordance with the provisions of such Bonds and this Ordinance.

Only such Bonds as shall bear thereon a “Certificate of Authentication” manually executed by an authorized signatory of the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Ordinance.

The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

Section 9. Registration; Transfer and Exchange. The City covenants that, until all Bonds shall have been surrendered and cancelled, it will cause the Registrar to maintain a system of recording the ownership of each Bond that complies with the provisions of the Code. To that end, the Registrar shall keep, or cause to be kept, the Bond Register at its principal corporate trust office.

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

The registered ownership of any Bond may be transferred. Prior to the Book-Entry Termination Date, if any, with respect to a series of Bonds, the beneficial ownership of such Bonds may only be transferred on the records established and maintained by the Custodian. On and after the Book-Entry Termination Date, if any, with respect to a series of Bonds, no transfer of any Bond of such series shall be valid unless it is surrendered at the principal corporate trust office of the Registrar, with the assignment form appearing on such Bond duly executed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Owner or such Owner's duly authorized agent, in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver without charge to the new Owner or transferee therefor (other than any governmental fees or taxes payable on account of such transfer), a new Bond of the same series and interest rate and for the same principal amount, naming as Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond.

From and after the Book-Entry Termination Date, if any, with respect to a series of Bonds, any Bond of such series may be surrendered at the principal corporate trust office of the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same series in any authorized denomination as selected by the Owner. The Registrar shall not be obligated to transfer or exchange any Bond during the 15 days preceding the maturity or redemption date.

The Registrar may become the Owner of any Bonds with the same rights it would have if it were not the 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 the Owners of the Bonds.

Section 10. Mutilated, Lost, Stolen or Destroyed Bonds. If any Bond becomes mutilated, lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond of the same series, number and interest rate, for the same principal amount, and of like tenor and effect in substitution therefor, all in accordance with law. If such mutilated, lost, stolen or destroyed Bond has matured, the City at its option may pay the same without the surrender thereof. However, no such substitution or payment shall be made unless and until the applicant shall furnish evidence satisfactory to the Registrar of the destruction or loss of the original Bond and the ownership thereof, and such additional security, indemnity or evidence as may be required by or on behalf of the City. No substitute Bond shall be furnished unless the applicant shall reimburse the City and the Registrar for their respective expenses in the furnishing thereof. Any such substitute Bond so furnished shall be equally and proportionately entitled to the security of this Ordinance with all other Bonds issued hereunder.

Section 11. Defeasance. If money and/or "Government Obligations" (as such obligations are defined in chapter 39.53 RCW, as now in existence or hereafter amended) maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments which shall be sufficient, together with any money initially deposited, to provide for the payment of all of the principal of and interest on all or a portion of the Bonds (the "Defeased Bonds"), when due in accordance with their terms or upon the earlier redemption thereof in accordance with a refunding plan adopted by the City, are set aside in a special fund (the "trust account") to effect such payment or redemption and are pledged irrevocably for the purpose of

effecting such payment or redemption, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Defeased Bonds, the Owners thereon shall cease to be entitled to any lien, claim, benefit or security of this Ordinance, the Bond Fund or the Guaranty Fund except for the right to receive the money and the principal and interest proceeds on the obligations set aside in the trust account, and such Defeased Bonds shall no longer be deemed to be outstanding hereunder.

Section 12. Negotiated Sale of Bonds. The City Council hereby authorizes and directs either the City Manager or the Finance Director/Treasurer (each, an "Authorized Officer") to negotiate the sale of the Bonds to the Purchaser consistent with the terms of this Ordinance. All series of the Bonds shall be sold at the same time pursuant to the Purchase Agreement, which shall specify each series of Bonds that is being issued and sold as Tax-Exempt Bonds and each series of Bonds that is being issued and sold Taxable Bonds. The Purchase Agreement shall also establish the series designation, aggregate principal amount, interest payment dates, interest rate(s), redemption provisions and delivery date of each series of Bonds. The City Council hereby accepts and approves the terms and conditions of which the Purchase Agreement; provided, that:

(a) The original aggregate principal amount of all of the Bonds may not exceed \$5,018,370;

(b) Only one rate of interest shall be fixed for each series of the Bonds, , and such rate of interest for any series of Bonds that is being issued and sold as Tax-Exempt Bonds may not exceed 6.40%, and such rate of interest for any series of Bonds that is being issued and sold as Taxable Bonds may not exceed 6.40%;

(c) The true interest cost to the City for any series of Bonds that is being issued and sold as Tax-Exempt Bonds may not exceed 6.40%, and the true interest cost to the City for any series of Bonds that is being issued and sold as Taxable Bonds may not exceed 6.40%;

(d) The purchase price for each series of Bonds may not be less than 99% nor greater than 102% of the initial aggregate principal amount of such Bonds;

(e) The Date of Issue of the Bonds may not be prior to January 1, 2013; and

(f) The sale date of the Bonds may not be later than February 1, 2013.

The City Council hereby authorizes and directs either Authorized Officer to execute, for and on behalf of the City, the Purchase Agreement for the Bonds conforming to the requirements of this Ordinance, with such changes as the Authorized Officer executing the same may deem to be in the best interests of the City and not inconsistent with the provisions of this Ordinance, and to deliver the same to the Purchaser.

Section 13. Sale of the Bonds; Delivery; Temporary Bonds. The Bonds will be printed or prepared at City expense and will be delivered to the Purchaser in accordance with the terms of the Purchase Agreement, together with the approving legal opinion of Gottlieb Fisher PLLC, bond counsel of Seattle, Washington, relative to the issuance of the Bonds. Bond counsel has not been engaged to participate in the preparation or review of, or express any opinion concerning the

completeness or accuracy of, the official statement or other disclosure documentation prepared or used by any person in connection with the offer or sale of the Bonds; and bond counsel's opinion shall so state. Bond counsel has not been retained to monitor, and shall not be responsible for monitoring, the City's compliance with any federal law or regulations to maintain the tax-exempt status of the interest on the Bonds.

If definitive Bonds are not ready for delivery by the closing date set forth in the Purchase Agreement, the Authorized Officers, upon the approval of the Purchaser, may cause to be issued and delivered to the Purchaser one or more temporary Bonds with appropriate omissions, changes and additions. Any such temporary Bond or Bonds shall be entitled and subject to the same benefits and provisions of this Ordinance with respect to the payment, security and obligation thereof as definitive Bonds authorized hereby. Such temporary Bond or Bonds shall be exchangeable without cost to the Owner thereof for the definitive Bond or Bonds when the latter are ready for delivery.

The proper City officials, including but not limited to, the Authorized Officers, are authorized and directed to approve and/or execute all documents, including, but not limited to, the final official statement pertaining to the Bonds, and to do everything necessary for the preparation and delivery of a transcript of proceedings pertaining to the Bonds, and the printing, execution and delivery of definitive Bonds to the Purchaser, each without unreasonable delay.

Section 14. Call of LID 08-1 Notes for Redemption. The City hereby calls the Local Improvement District No. 08-1 Bond Anticipation Note, 2012, Series A (Federally Tax-Exempt) (the "LID 08-1 Tax-Exempt Note") and the Local Improvement District No. 08-1 Bond Anticipation Note, 2012, Series B (Federally Taxable) (the "LID 08-1 Taxable Note" and together with the LID 08-1 Tax-Exempt Note, the "LID No. 08-1 Notes") for redemption on February 1, 2013, at a redemption price of par plus accrued interest to the date of redemption; provided, that if the amount of prepaid assessments in LID 08-1 received by the City would permit the City to call the LID 08-1 Taxable Note for redemption at a redemption price of par plus accrued interest to an earlier date in accordance with their terms, then either Authorized Officer is authorized to call the LID 08-1 Taxable Note for redemption on such earlier date.

Such call for redemption shall become irrevocable upon delivery of the Bonds at Closing; provided, however, that if the Bonds are not delivered to the Purchaser at Closing, or if the Purchaser fails to pay the full purchase price therefor at Closing for any reason, then such call for redemption shall be hereby automatically revoked and shall be null and void.

Section 15. Application of Bond Proceeds. All of the proceeds from the sale and delivery of the Bonds shall be used (a) to finance the costs of carrying out improvements in the LIDs by repaying interim financing provided (1) for LID No. 08-1, by the LID No. 08-1 Notes and (2) for LID No. 08-2, by the LID No. 08-2 Notes, (b) to increase the amount on deposit in the Guaranty Fund to an amount equal to \$948,936.00, and (c) to pay the costs of issuance of the Bonds. Until needed to pay those costs, the City may invest principal proceeds temporarily in any legal investment, and the investment earnings may be retained in the respective local improvement district funds or accounts therein and be spent for the purposes of those funds, and earnings subject to a federal tax or rebate requirement may be used for those tax or rebate purposes.

Section 16. Federal Tax Law Covenants. The City shall comply with the provisions of this section with respect to each series of the Bonds that are issued as Tax-Exempt Bonds unless, in the written opinion of nationally-recognized bond counsel to the City, such compliance is not required.

The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exclusion of the interest on the Tax-Exempt Bonds from the gross income for purposes of federal income taxation, and will take or require to be taken such acts as may be permitted by State law and as may from time to time be required under other applicable law to continue the exclusion of the interest on the Tax-Exempt Bonds from the gross income for purposes of federal income taxation. Without limiting the generality of the foregoing, the City will not invest or make or permit any use of the proceeds of the Bonds or of its other money at any time during the term of the Tax-Exempt Bonds which would cause the Tax-Exempt Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

The City covenants that it shall calculate or cause to be calculated, and shall rebate to the United States, all earnings from the investment of Tax-Exempt Bond proceeds that are in excess of the amount that would have been earned had the yield on such investments been equal to the yield on the Tax-Exempt Bonds, plus income derived from such excess earnings, to the extent and in the manner required by Section 148.

The City has not been notified of any listing or proposed listing by the Internal Revenue Service (the “IRS”) to the effect that the City is a bond issuer the arbitrage certifications of which may not be relied upon.

The City will take no actions and will make no use of the proceeds of the Tax-Exempt Bonds or any other funds held under this Ordinance which would cause any Tax-Exempt Bond to be treated as a “private activity bond” (as defined in Section 141(b) of the Code) subject to treatment under said Section 141(b) as an obligation not described in Section 103(a) of the Code, unless the tax exemption thereof is not affected.

The City hereby designates the Tax-Exempt Bonds as “qualified tax-exempt obligations,” as defined in section 265 of the Code (relating to the partial interest expense deduction authorized for banks, thrift institutions and certain other financial institutions). The City covenants that it will not issue more than \$10,000,000 of “qualified tax-exempt obligations” during calendar year 2013, and authorizes and directs either Authorized Officer to execute and deliver all documents necessary to evidence such designation to any and all interested parties.

Section 17. Preliminary Official Statement and Official Statement. The City Council hereby authorizes and directs either Authorized Officer to cause a preliminary official statement pertaining to the Bonds to be prepared and distributed in electronic and/or printed form to prospective purchasers of the Bonds and others, and to deem such preliminary official statement final, on behalf of the City, for purposes of the Rule. The City Council hereby authorizes and directs either Authorized Officer to review and approve, on behalf of the City, a final official statement pertaining to the Bonds in substantially the form of the preliminary official statement, with such changes, if any, as may be deemed by him to be appropriate, and to approve the distribution of the final official statement in electronic and/or printed form in connection with the offer and sale of the Bonds.

Section 18. Undertaking to Provide Continuing Disclosure. This Undertaking constitutes the City's written undertaking (the "Undertaking") for the benefit of the Owners and Beneficial Owners of the Bonds required by subsection (b)(5)(i) of the Rule.

The City hereby agrees to provide or cause to be provided annually to the Municipal Securities Rulemaking Board (the "MSRB") the following annual financial information and operating data (collectively, the "Annual Financial Information") for each prior fiscal year, commencing with the fiscal year ending December 31, 2012, on or before the last day of the ninth month following the end of such prior fiscal year, commencing September 30, 2013:

(a) Annual financial statements showing ending fund balances prepared in accordance with the generally accepted accounting principles applicable to governmental units, as such principles may be changed from time to time and as permitted by State law; which statements will not be audited, except that, if and when audited financial statements are otherwise prepared and available to the City, they will be provided (the "Annual Financial Statements");

(b) The outstanding balance of obligations secured by the Guaranty Fund at the end of such fiscal year; and

(c) The balance of money and investments (based upon fair market value) in the Guaranty Fund at the end of such fiscal year.

In its provision of such financial information and operating data, the City may cross-reference to any "final official statement" (as defined in the Rule) available to the public on the MSRB's internet web site or filed with the SEC.

If not submitted as part of the Annual Financial Information, then when and if available, the City shall provide its Annual Financial Statements, which shall have been audited by such auditor as shall be then required or permitted by State law, to the MSRB.

The City further agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice 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 IRS of proposed or final determinations of taxability, Notices 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 the Owners of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
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;
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.

The City also agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to provide the Annual Financial Information for the prior fiscal year on or before the last day of the ninth month following the end of such prior fiscal year.

The City agrees that all documents provided to the MSRB pursuant to this undertaking shall be provided in an electronic format and accompanied by such identifying information, each as prescribed by the MSRB.

The City may amend its obligations under, or waive any provision of, this Undertaking upon receipt of a favorable opinion of nationally recognized bond counsel or other counsel familiar with the federal securities law, or pursuant to a favorable “no-action letter” issued by the SEC. In the event of any amendment or waiver of the City’s obligations under this Undertaking, the City agrees to describe such amendment in the Annual Financial Information for such fiscal year and shall include, as applicable, a narrative explanation of the reason for such amendment or waiver and its impact of 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, (A) notice of such change will be given in the same manner as for a material event, and (B) the Annual Financial Information for the fiscal 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.

The City’s obligations to provide Annual Financial Information and notices of certain events shall terminate without amendment upon the defeasance, prior redemption or payment in full of all of

the then outstanding Bonds. This Undertaking, or any provision hereof, shall be null and void if the City (i) obtains an opinion of nationally recognized bond counsel or other counsel familiar with the federal securities laws to the effect that those portions of the Rule which require this Undertaking or any such provision are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (ii) notifies and provides the MSRB with copies of such opinion.

The right of each Owner or Beneficial Owner of Bonds to enforce the provisions of this Undertaking shall be limited to the right to obtain specific enforcement of the City's obligations under this Undertaking, and any failure by the City to comply with the provisions of this undertaking shall not be a default with respect to the Bonds under this Ordinance.

The Authorized Officers are hereby authorized and directed to take such further action on behalf of the City as may be necessary, appropriate or convenient to carry out the requirements of this Undertaking.

Section 19. Contract; Severability. The covenants contained in this Ordinance shall constitute a contract between the City and the Owners of each and every Bond. The City unconditionally covenants that it will keep and perform all of the covenants of the Bonds and this Ordinance. If any one or more of the provisions of this Ordinance shall be declared unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining provisions of this Ordinance or the Bonds, and this Ordinance and the Bonds shall be construed and enforced as if such unconstitutional or invalid provision had not been contained herein.

Section 20. Maintenance and Operation of Guaranty Fund.

(a) The City shall operate and maintain its Guaranty Fund in accordance with the laws contained in chapter 35.54 RCW and such other laws that specifically or generally apply to the Guaranty Fund, as the same may be amended from time to time.

(b) The City shall maintain a balance in the Guaranty Fund during each calendar year that is at least equal to 5% of the principal amount of outstanding local improvement district bonds, warrants, notes and other obligations guaranteed by the Guaranty Fund. Should that balance fall below the required 5%, the City shall restore the balance in the Guaranty Fund to the required amount during the next fiscal year of the City, subject only to the limitations of RCW 35.54.060. Notwithstanding the foregoing, the City Council may, with respect to the obligations issued on account of any local improvement district, require by ordinance that the minimum balance in the Guaranty Fund on account of such obligations be greater than is required by the first sentence of this subsection.

(c) Supplementing chapter 35.54 RCW and to prevent an anticipated default, if, prior to an interest payment date of obligations secured by the Guaranty Fund, the City Finance Director/Treasurer determines that there is insufficient money in the local improvement fund (including, but not limited to, the Bond Fund) and any other fund or account established to pay debt service on those obligations to pay the interest or the principal and interest scheduled to come due on that interest payment date, then the City Finance Director/Treasurer shall withdraw from the Guaranty Fund and apply an amount sufficient to pay that deficiency on that interest payment date.

To the extent that the amount available in the Guaranty Fund on such interest payment date is not sufficient to cure the deficiency, the City Finance Director/Treasurer shall issue interest-bearing warrants drawn on the Guaranty Fund, as prescribed by statute.

(d) The City may invest funds in the Guaranty Fund in any legal investment and the investment earnings shall be retained therein and applied to the purposes of the Guaranty Fund; provided, that, to the extent that the City is required by federal tax law to make arbitrage rebate or yield reduction payments to the U.S. Treasury on account of the investment of the Guaranty Fund, such payments may be made from amounts on deposit in the Guaranty Fund. The City may establish subaccounts within the Guaranty Fund, from time to time, if necessary or desirable for purposes of accounting for the investment of money therein.

Section 21. Interest Rate on Installments and Delinquent Payments. The interest rate on the installments and delinquent payments of special assessments in the LIDs is established at a rate per annum equal to the true interest cost of the Bonds plus one-half of one percent.

Section 22. Effective Date. This Ordinance shall take effect from and after its passage and five days following its publication as required by State law. A summary of this Ordinance may be published in lieu of the entire Ordinance as authorized by State law.

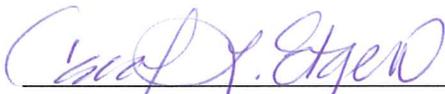
Introduced the 20th day of November, 2012.

Passed by the City Council on the 9th day of November, 2012.



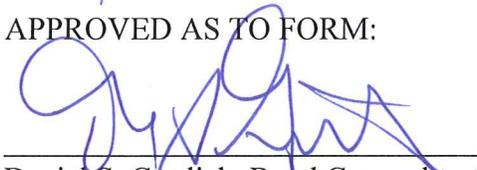
David K. Zabell, City Manager

ATTEST:



Carol Etgen, City Clerk

APPROVED AS TO FORM:



Daniel S. Gottlieb, Bond Counsel to the City

Published: 11/30/12, 2012

Effective Date: 12/5/12, 2012

EXHIBIT A

Local Improvement <u>District No.</u>	Created by <u>Ordinance No.</u>	Assessment Balance After <u>30-day Prepayment Period</u>
08-1	1659	\$2,225,409*
08-2	1683	2,792,961

* This amount includes assessment appealed by WSDOT.