

CITY OF OLYMPIA, WASHINGTON

ORDINANCE NO. _____

AN ORDINANCE of the City of Olympia, Washington, providing for the issuance of not to exceed \$9,000,000 principal amount of water and sewer revenue refunding bonds in one or more series to refund certain outstanding water and sewer bonds of the City; 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.

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This document prepared by:

*Foster Garvey P.C.
1111 Third Avenue, Suite 3000
Seattle, Washington 98101
(206) 447-4400*

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WHEREAS, the City of Olympia, Washington (the "City") owns, operates and maintains a water supply and distribution system and a sanitary sewage disposal system, which systems were combined pursuant to RCW 35.67.320 by Ordinance No. 3298, passed on March 17, 1964 (the combined systems as heretofore and hereafter added to, improved and extended are referred to as the "Waterworks Utility"); and

WHEREAS, pursuant to Ordinance No. 6481 (the "2007 Ordinance"), the City issued \$8,000,000 principal amount of its "Water and Sewer Revenue Bonds, 2007" (the "2007 Bonds"), secured by a pledge of revenues of the Waterworks Utility, to finance certain capital improvements to the Waterworks Utility; and

WHEREAS, pursuant to the 2007 Ordinance, the City reserved the right to redeem the 2007 Bonds maturing on and after November 1, 2017, prior to their maturity on or after May 1, 2017, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, pursuant to Ordinance No. 6714 (the "2010 Ordinance"), the City issued \$6,485,000 principal amount of its "Water and Sewer Revenue Bonds, 2010" (the "2010 Bonds"), secured by a pledge of revenues of the Waterworks Utility, to finance certain capital improvements to the Waterworks Utility; and

WHEREAS, pursuant to the 2010 Ordinance, the City reserved the right to redeem the 2010 Bonds maturing on and after November 1, 2020, prior to their maturity on or after May 1, 2020, at a price of par plus accrued interest to the date fixed for redemption; and

WHEREAS, there are presently \$4,150,000 principal amount of 2007 Bonds outstanding (the "2007 Refunding Candidates"), and \$4,145,000 principal amount of 2010 Bonds outstanding, all of which may be refunded (the "2010 Refunding Candidates," and together with the 2007 Refunding Candidates, the "Refunding Candidates"); and

WHEREAS, after due consideration, it appears to the City Council that all or a portion of the Refunding Candidates (the "Refunded Bonds") may be refunded by the issuance and sale of the bonds authorized herein so that a savings will be effected by the difference between the principal and interest cost over the life of the Bonds and the principal and interest cost over the

life of the Refunded Bonds but for such refunding, which refunding will be effected by carrying out the Refunding Plan (as defined herein); and

WHEREAS, to effect that refunding in the manner that will be most advantageous to the City it may be found necessary and advisable that certain Acquired Obligations bearing interest and maturing at such time or times as necessary to accomplish the refunding as aforesaid be purchased out of a portion of the proceeds of the Bonds; and

WHEREAS, pursuant to Ordinance No. 6860 of the City, along with the Certificate of Determination as authorized by such ordinance (the “2013 Ordinance”), the City issued \$7,780,000 principal amount of its “Water and Sewer Revenue and Refunding Bonds, 2013” (the “2013 Bonds”), secured by a pledge of revenues of the Waterworks Utility, to finance certain capital improvements to the Waterworks Utility and refund certain water and sewer revenue bonds; and

WHEREAS, in order to refund the Refunded Bonds and pay the costs of issuance and sale of the Bonds, it is hereby found necessary and advisable that the City issue its water and sewer revenue refunding bonds in one or more series (the “Bonds”) with a lien on the revenues of the Waterworks Utility equal to the 2007 Bonds, the 2010 Bonds and the 2013 Bonds;

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

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

“2007 Bonds” means the outstanding “Water and Sewer Revenue Bonds, 2007” issued pursuant to the 2007 Ordinance.

“2007 Ordinance” means Ordinance No. 6481 authorizing the issuance of the 2007 Bonds.

“2007 Refunding Candidates” means the outstanding 2007 Bonds of the City maturing in the years 2020 through 2027, inclusive, issued pursuant to Ordinance No. 6481, the refunding of which has been provided for by this ordinance.

“2010 Bonds” means the outstanding “Water and Sewer Revenue Bonds, 2010” issued pursuant to the 2010 Ordinance.

“2010 Ordinance” means Ordinance No. 6714 authorizing the issuance of the 2010 Bonds.

“2010 Refunding Candidates” means the outstanding 2010 Bonds of the City maturing in the years 2020, 2022, 2024, 2026, 2028 and 2030, issued pursuant to Ordinance No. 6714, the refunding of which has been provided for by this ordinance.

“2013 Bonds” means the outstanding “Water and Sewer Revenue and Refunding Bonds, 2013” issued pursuant to the 2013 Ordinance.

“*2013 Ordinance*” means Ordinance No. 6860 authorizing the issuance of the 2013 Bonds.

“*Acquired Obligations*” means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by this ordinance.

“*Annual Debt Service*” for any fiscal year or calendar year means the sum of:

- (A) the interest due in such year on all outstanding Parity Bonds excluding, however, interest to be paid from the proceeds of Parity Bonds, and any Payment Agreement Payments due in such year and less the federal credit for a portion of interest on Future Parity Bonds if permitted to be deducted as provided in Section 12(B),
- (B) the principal of all outstanding Serial Bonds due in such year, and
- (C) the Sinking Fund Requirement, if any, for such year.

If the interest rate on any such bonds is other than a fixed rate, the rate applicable at the time of the computation shall be used.

Notwithstanding the foregoing, debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be calculated by the City to reflect the net economic effect on the City intended to be produced by the terms of such Parity Bonds and the terms of such Payment Agreement, in accordance with the requirements applicable to such Payment Agreement.

“*Assessments*” means assessments (including interest and penalties) levied in any utility local improvement district of the City for the acquisition or construction of additions and improvements to and extension of the System, if such assessments are pledged to be paid into the Bond Fund.

“*Authorized Denomination*” means \$5,000 or any integral multiple thereof within a maturity of a Series for those Series of Bonds sold through a negotiated or competitive sale, and in any denomination designated by the Designated Representative for those Series of Bonds sold by private placement.

“*Average Annual Debt Service*” means the amount determined by dividing (A) the sum of all interest and principal to be paid on all Parity Bonds from the date of determination to the last maturity date of such Parity Bonds, by (B) the number of fiscal years or calendar years from and including the fiscal year or calendar year in which the determination is made to the last fiscal year or calendar year in which any of such Parity Bonds will be outstanding.

“*Beneficial Owner*” means, with respect to a Bond, the owner of any beneficial interest in that Bond.

“*Bond*” means each bond issued pursuant to and for the purposes provided in this ordinance.

“*Bond Counsel*” means the firm of Foster Garvey P.C., 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.

“*Bond Fund*” means that special fund of the City known as the “Water and Sewer Revenue Bond Redemption Fund,” created pursuant to Section 9 of Ordinance No. 6102 for the payment of principal of and interest on the Parity Bonds.

“*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.

“*Bond Register*” means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Bond.

“*Bond Registrar*” means the Fiscal Agent, or any successor bond registrar selected by the City for any Series of Bonds sold by negotiated or competitive sale, and means the City’s Fiscal Services Director or any successor bond registrar selected for any Series of Bonds sold by private placement.

“*City*” means the City of Olympia, Washington, a municipal corporation duly organized and existing under the laws of the State.

“*City Council*” means the legislative authority of the City, as duly and regularly constituted from time to time.

“*Code*” means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

“*Debt Service Account*” means the account of that name in the Bond Fund created pursuant to Section 9 of Ordinance No. 6102.

“*DTC*” means The Depository Trust Company, New York, New York, or its nominee.

“*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).

“*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, including minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes).

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

“*Future Parity Bonds*” means all revenue bonds or other revenue obligations of the City issued after the date of the issuance of the Bonds and having a lien upon Gross Revenue for the payment of the principal thereof and interest thereon equal to the lien upon Gross Revenue for the payment of the principal of and interest on the Parity Bonds.

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

“*Gross Revenue*” means all earnings, revenue and money, except Assessments, received by the City from or on account of the operation of the System, including proceeds from the sale, lease or other disposition of any of the properties or facilities of the System, and the income from investments of money in the Revenue Fund and any bond fund or from any other investment thereof except the income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of retirement or refunding. The words “Gross Revenue” shall not include grants or bond proceeds, but shall include federal or state reimbursements of operating expenses to the extent such expenses are included as “Operation and Maintenance Expenses.”

“*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.

“*Letter of Representations*” means the Blanket Issuer Letter of Representations between the City and DTC, dated April 12, 1995, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Net Revenue*” means Gross Revenue less the Operation and Maintenance Expenses.

“*Operation and Maintenance Expenses*” means all of those expenses incurred in the operation and maintenance of the System, including but not limited to general administrative expenses and payments to the LOTT Wastewater Alliance or any other governmental or private entity for the purchase of water supply and sewage treatment and disposal services, but not including depreciation and City imposed taxes and payments to be made in lieu of City taxes.

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

“*Parity Bonds*” means the 2007 Bonds, the 2010 Bonds, the 2013 Bonds, the Bonds and any Future Parity Bonds.

“*Payment Agreement*” means, to the extent permitted from time to time by applicable law, a written agreement entered into by the City (A) in connection with or incidental to the issuance, incurring or carrying of any Parity Bonds; (B) for the purpose of managing or reducing the City’s exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes; (C) with a Qualified

Counterparty; and (D) which provides, on either a current or forward basis, for an exchange of payments determined in accordance with a formula specified therein.

“Payment Agreement Payments” means the amounts periodically required to be paid by the City to the Qualified Counterparty pursuant to a Payment Agreement. The term *“Payment Agreement Payments”* does not include any termination payment required to be paid with respect to a Payment Agreement.

“Payment Agreement Receipts” means the amounts periodically required to be paid by the Qualified Counterparty to the City pursuant to a Payment Agreement.

“Permitted Investments” means any investments or investment agreements permitted for cities under the laws of the State of Washington as amended from time to time.

“Professional Utility Consultant” means the independent person(s) or firm(s) selected by the City having a favorable reputation for skill and experience with water and wastewater systems of comparable size and character to the System in such areas as are relevant to the purposes for which they are retained.

“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.

“Qualified Counterparty” means with respect to a Payment Agreement an entity (A) whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability or whose payment obligations under a Payment Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated (at the time the Payment Agreement is entered into) at least as high as A3 by Moody’s and A- by S&P, or the equivalent thereof by any successor thereto, and (B) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

“Qualified Insurance” means any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or service corporation, as of the time of issuance of such policy or surety bond, is rated in one of the two highest rating categories by Moody’s Investors Service and S&P Global Ratings, or their comparably recognized business successors, or rated in one of the three highest rating categories by either Moody’s Investors Service or S&P Global Ratings, once the 2007 Bonds, the 2010 Bonds and the 2013 Bonds are no longer outstanding.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a financial institution for the account of the City on behalf of the owners of any Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest rating categories by Moody’s Investors Service or S&P Global Ratings, or their comparably recognized business successors, or

rated in one of the three highest rating categories by either Moody's Investors Service or S&P Global Ratings, once the 2007 Bonds, the 2010 Bonds and the 2013 Bonds are no longer outstanding.

"Rate Stabilization Account" means the account of that name authorized to be created within the Revenue Fund pursuant to Section 11 of this ordinance.

"Rating Agency" means any nationally recognized rating agency then maintaining a rating on the Bonds at the request of the City.

"Rebate Amount" means the amount, if any, determined to be payable with respect to the Bonds to the United States of America in accordance with Section 148(f) of the Code.

"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 8.

"Refunded Bond Ordinances" means Ordinances No. 6481 and 6714, authorizing the issuance of the Refunded Bonds.

"Refunded Bonds" means all or a portion of the Refunding Candidates selected by the Designated Representative to be refunded with proceeds of a Series of Bonds and included in a Refunding Plan.

"Refunding Candidates" means the 2007 Refunding Candidates and the 2010 Refunding Candidates.

"Refunding Plan" means:

(A) the placement of sufficient proceeds of a Series of the Bonds which, with other money of the City, if necessary, will be deposited with the Refunding Trustee or may be used to acquire the Acquired Obligations to be deposited along with cash, if necessary, with the Refunding Trustee;

(B) the payment of the principal of and interest on the Refunded Bonds when due up to and including such date or dates determined by the Designated Representative, and the call, payment, and redemption on such date or dates, of all of the then-outstanding Refunded Bonds at a price of par; and

(C) may include the payment of the costs of issuing a Series of the Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

"Refunding Trust Agreement" means a Refunding Trust Agreement between the City and the Refunding Trustee.

"Refunding Trustee" means the trustee or escrow agent or any successor trustee or escrow agent serving as refunding trustee to carry out the Refunding Plan.

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

“*Reserve Account*” means the account of that name created in the Bond Fund pursuant to Section 9 of Ordinance No. 6102 to secure the payment of principal of and interest on the Parity Bonds secured by such account. If allowed pursuant to Section 12(B), the Designated Representative shall determine whether a Series of the Bonds will be secured by the Reserve Account, or whether to create a separate reserve account to secure such Series of the Bonds.

“*Reserve Account Requirement*” means with respect to all outstanding Parity Bonds secured by the Reserve Account, the lesser of (A) 125% of Average Annual Debt Service for such bonds, or (B) maximum Annual Debt Service for such bonds; provided, however, that at the time of issuance of any series of Parity Bonds secured by such Reserve Account, the Reserve Account Requirement allocable to such series of Parity Bonds shall not exceed 10% of the initial principal amount of that series of Parity Bonds. The reserve account requirement for a separate reserve account means the amount, if any, established by (1) the Designated Representative or (2) an ordinance authorizing any Future Parity Bonds.

“*Revenue Fund*” means that special fund within the Waterworks Utility of the City created by Ordinance No. 3841 known as the “Water and Sewer Revenue Fund,” into which the City has pledged to pay all of the Gross Revenue of the System as collected.

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

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

“*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.

“*Serial Bonds*” means Parity Bonds other than Term Bonds.

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

“*Sinking Fund Requirement*” means, for any fiscal year or calendar year, the principal amount of Term Bonds required to be purchased, redeemed or paid at maturity in such year as established by the ordinance of the City authorizing the issuance of such Term Bonds.

“*State*” means the State of Washington.

“*System*” or “*Waterworks Utility*” means the combined water and sewerage system of the City, excluding the LOTT joint-use facilities previously transferred by the City to the LOTT Wastewater Alliance, as the same may be added to, improved and extended for as long as any of the Parity Bonds are outstanding.

“*Term Bonds*” means the Bonds identified as such, if any, and any Future Parity Bonds identified as Term Bonds in the ordinance authorizing the issuance thereof, the payment of the principal of which is provided for by a mandatory schedule of deposits of money equal (in the aggregate) to the full principal amount of such Term Bonds, into the Bond Fund, and by a mandatory redemption schedule corresponding (as to time and amounts) to such mandatory schedule of deposits.

“*Undertaking*” means the undertaking to provide continuing disclosure entered into pursuant to Section 27 of this ordinance.

Section 2. Compliance with Parity Bonds. In accordance with the provisions of the 2007 Ordinance, the 2010 Ordinance and the 2013 Ordinance, which permits the issuance of additional Parity Bonds upon compliance with the conditions set forth therein, the City hereby finds and determines, as follows:

- (A) The Bonds are being issued to refund certain outstanding Parity Bonds.
- (B) There is not now and at the time of the delivery of a Series of the Bonds there shall not be any deficiency in the Bond Fund or in any of the accounts therein.
- (C) This ordinance provides for payments out of the Bond Fund to repay the Bonds and provides for payments into the Reserve Account (or other reserve account) of amounts and at the times required by the 2007 Ordinance, the 2010 Ordinance and the 2013 Ordinance.
- (D) At the time of issuance of a Series of Bonds, there will be on file with the City a certificate as provided by Section 14 of the 2007 Ordinance, Section 15 of the 2010 Ordinance and Section 18 of the 2013 Ordinance.

The applicable conditions of Section 14 of the 2007 Ordinance, Section 15 of the 2010 Ordinance and Section 18 of the 2013 Ordinance having been complied with in connection with the issuance of a Series of the Bonds, the pledge contained herein of Net Revenue of the System to pay and secure the payment of a Series of the Bonds shall constitute a lien and charge upon such Net Revenue equal in rank with the lien and charge upon the Net Revenue to pay and secure the payment of the 2007 Bonds, the 2010 Bonds and the 2013 Bonds.

Section 3. Authorization of the Bonds. The City shall now issue and sell one or more Series of the Bonds in the aggregate principal amount of not to exceed \$9,000,000 for the purpose of refunding the Refunded Bonds, funding the Reserve Account, if necessary or determined by the Designated Representative, and paying costs of issuance of the Bonds.

Section 4. Description of the Bonds; Appointment of Designated Representative. The Administrative Services Director, or the Fiscal Services Director in the absence of the Administrative Services Director, is appointed as the Designated Representative of the City and is authorized and directed to conduct the sale of a Series 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 following parameters:

(A) *Principal Amount.* The Bonds may be issued in one or more Series and shall not exceed the aggregate principal amount of \$9,000,000.

(B) *Date or Dates.* The Bonds shall be dated as of its date of delivery to the Underwriter, which date may not be later than December 31, 2020.

(C) *Denominations, Series Designation, etc.* The Bonds must be issued in Authorized Denominations, 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).* The Bonds shall bear interest at fixed rates per annum (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 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, provided that no rate of interest for any Bond may exceed 6.00%, and the “all-in” true interest cost to the City for the Bonds may not exceed 5.00%.

(E) *Payment Dates.* Interest must be payable at fixed rates semiannually on such dates as are acceptable to the Designated Representative, commencing no later than one year following the Issue Date. Principal payments shall commence on a payment date acceptable to the Designated Representative and must be payable at maturity or in mandatory redemption installments on such dates as are acceptable to the Designated Representative.

(F) *Final Maturity.* The Bonds shall mature no later than November 1, 2030.

(G) *Redemption Rights.* In his or her discretion, the Designated Representative may approve provisions for the optional and mandatory redemption of Bonds, as follows:

(i) 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 established by the Designated Representative; or (B) not subject to redemption prior to its maturity date.

(ii) 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 established by the Designated Representative.

(H) *Price.* The purchase price for a Series of the Bonds may not be less than 95% or more than 135% of the stated principal amount of such Series of the Bonds.

(I) *Savings.* There is a minimum net present value savings of 3.00% of the Refunded Bonds.

(J) *Reserve Account.* The Designated Representative shall determine whether (i) the Reserve Account Requirement of a Series of Bonds is funded with Bond proceeds or System Revenues to be deposited in five approximately equal payments and (ii) once sufficient

Owners of Parity Bond has consented, whether such Series of Bonds will be secured by the Reserve Account.

(K) *Other Terms and Conditions.*

(i) The Bonds may be sold in accordance with Section 24 of this ordinance.

(ii) 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.

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 for any Series of Bonds sold by negotiated or competitive sale. The City's Fiscal Services Director will be appointed as the initial Bond Registrar for any Series of Bonds sold by private placement. 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. 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 of a Bond with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Beneficial 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 or acting City Manager 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 Bonds bearing a Certificate of Authentication in substantially the form as shown in Section 19 signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this 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 the Bonds shall be payable in lawful money of the United States of America. For as long as a Bond is registered in the name of the Securities Depository, payment of principal of and interest on that Bond shall be made in the manner set forth in the Letter of Representations. If a Bond ceases to be in book-entry form, interest on that Bond shall be paid 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 as of 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 at least 10 days before an interest payment date and at the sole expense of the requesting Registered Owner. Principal of a Bond shall be 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. Redemption Provisions and Purchase of Bonds.

(A) *Optional Redemption.* The Bonds shall be subject to redemption or prepayment 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 Section 4.

(B) *Mandatory Redemption.* Each Bond that is designated as a Term Bond consistent with the parameters set forth in Section 4 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 9. 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 and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 10. Revenue Fund. There has heretofore been created a special fund of the City known as the “Water and Sewer Revenue Fund” (the “Revenue Fund”) into which the City has pledged to pay all of the Gross Revenues of the Waterworks Utility as collected and into which the City pledges to continue to pay all of the Gross Revenue of the System.

The Gross Revenue deposited in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

FIRST, to pay the Operation and Maintenance Expenses and to maintain a balance in the Revenue Fund sufficient in amount to enable the City to continuously meet Operation and Maintenance Expenses on a current basis;

SECOND, to make all payments required to be made into the Bond Fund to pay interest on any Parity Bonds;

THIRD, to make all payments required to be made into the Bond Fund to pay the maturing principal of any Serial Bonds, to make all payments required to be made into the Bond Fund to satisfy the Sinking Fund Requirement and to make any Payment Agreement Payments with respect to any Payment Agreements;

FOURTH, to make all payments required to be made pursuant to a reimbursement agreement or agreements (or other equivalent documents) in connection with Qualified Insurance or a Qualified Letter of Credit; provided that if there is not sufficient money to make all payments under any reimbursement agreements the payments will be made on a pro rata basis;

FIFTH, to make all payments required to be made into the Reserve Account or separate reserve account to secure the payment of the principal of and interest on outstanding Parity Bonds, as applicable;

SIXTH, to make all payments required to be made into any revenue bond redemption fund, revenue warrant redemption fund, debt service account, reserve account or bond retirement account created to pay and secure the payment of the principal of and interest on any revenue bonds, or revenue warrants or other revenue obligations of the City having a lien upon Gross Revenue junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

SEVENTH, to retire by redemption or purchase in the open market any outstanding water and sewer revenue bonds, water and sewer revenue warrants or other water and sewer revenue obligations of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, to make deposits into the Rate Stabilization Account, or for any other lawful City purposes.

Section 11. Rate Stabilization Account. A special account of the City to be designated the “Water and Sewer Rate Stabilization Account” (the “Rate Stabilization Account”) is hereby authorized to be continued within the Revenue Fund, at the discretion of the Administrative Services Director or Financial Services Director, to cope with future increases in revenue requirements of the System. In accordance with the provisions of Section 10 of this ordinance, the City may from time to time appropriate or budget amounts in the Revenue Fund for deposit in the Rate Stabilization Account and may from time to time withdraw amounts therefrom to prevent or mitigate water and sewer rate increases or for other lawful purposes of the City related to the System. Amounts withdrawn from the Rate Stabilization Account shall increase Gross Revenue for the period for which they are withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the period for which they are deposited. Credits to or from the Rate Stabilization Account that occur within 90 days after the end of a fiscal year may be treated as occurring within such fiscal year. Earnings on the Rate Stabilization Account shall be credited to the Revenue Fund.

Section 12. Bond Fund. There has been created in the office of the Administrative Services Director a fund of the City known as the “Water and Sewer Revenue Bond Redemption Fund” (the “Bond Fund”), which fund shall be drawn upon for the sole purpose of paying the principal of, premium if any, and interest on the Bonds, the 2007 Bonds, the 2010 Bonds, the 2013 Bonds and any Future Parity Bonds. The money in the Bond Fund shall be kept separate and apart from all other funds and accounts of the City.

(A) Debt Service Account. A special account known as the Debt Service Account has been created in the Bond Fund for the purpose of paying the principal of, premium, if any, and interest on the Parity Bonds.

As long as any of the Bonds remain outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay from the Revenue Fund into the Debt Service Account, on or before the date due, those amounts necessary, together with Gross Revenue collected and deposited and such other money as is on hand and available therefor in the Debt Service Account, to pay the interest or principal and interest next coming due on the outstanding Bonds.

The City covenants and agrees that in the event it issues any Future Parity Bonds that are Term Bonds, it will provide in each ordinance authorizing the issuance of the same for annual payments to be made from the Revenue Fund into the Debt Service Account sufficient, together with Gross Revenue collected and deposited and such other money as is on hand and available therefor in such account, to satisfy the Sinking Fund Requirement with respect to such Term Bonds.

(B) *Reserve Account.* A Reserve Account has been created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the 2007 Bonds, the 2010 Bonds, the 2013 Bonds, a Series of the Bonds and any Future Parity Bonds secured by such account. The City hereby covenants and agrees that it will satisfy the Reserve Account Requirement for a Series of the Bonds with Bond proceeds, if required and determined by the Designated Representative.

The City further covenants and agrees that in the event it issues any Future Parity Bonds it will provide in each ordinance authorizing the issuance of such Future Parity Bonds for the payment into the Reserve Account (or such other reserve account) out of Gross Revenue or Assessments (or, at the option of the City, out of any other funds on hand and legally available therefor) approximately equal additional annual installments so that by five years from the date of issuance of such Future Parity Bonds there will have been paid into the Reserve Account (or such other reserve account) an amount that, together with money already on deposit therein, will be at least equal to the Reserve Account Requirement (or such other reserve account requirement). The City may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be deposited into the Reserve Account (or such other reserve account). Such Qualified Letter of Credit or Qualified Insurance shall not be cancellable on less than five years' notice. In the event of any cancellation, the Reserve Account shall be funded in accordance with the provisions of this section providing for payment in the event of a deficiency therein, as if the Parity Bonds secured by the Reserve Account that remain outstanding had been issued on the date of such notice of cancellation.

The City further covenants and agrees that when the required deposits have been made into the Reserve Account, it will at all times maintain therein an amount at least equal to the Reserve Account Requirement, as redetermined in each calendar year with respect to the Parity Bonds secured by such Reserve Account. Whenever there is a sufficient amount in the Bond Fund, including all accounts therein, to pay the principal of, premium, if any, and interest on all outstanding Parity Bonds, the money in the Reserve Account may be used to pay the principal of, premium, if any, and interest on the Parity Bonds secured thereby. Money in the Reserve Account may also be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, on the outstanding Parity Bonds secured by such Reserve Account, as long as the money remaining on deposit in such Reserve Account is at least equal to the Reserve Account Requirement determined with respect to the Parity Bonds then outstanding.

In the event a Series of the Bonds secured by the Reserve Account are ever refunded, the money set aside in the Reserve Account to secure the payment thereof may be used to retire such Series of Bonds or may be transferred to any other reserve account that may be created to secure the payment of any bonds issued to refund such Series of the Bonds.

In the event there shall be a deficiency in the Debt Service Account to meet maturing installments of either interest on or principal of and interest on the outstanding Parity Bonds payable out of such account, such deficiency shall be made up from the Reserve Account for those Parity Bonds secured by the Reserve Account, or from a separate reserve account for those Parity Bonds not secured by the Reserve Account, by the withdrawal of money therefrom and by the sale or redemption of obligations held in the Reserve Account or separate reserve account, as applicable, if necessary, in such amounts as will provide cash in the account sufficient to make up any such deficiency, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the City shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. If more than one Qualified Letter of Credit or Qualified Insurance is available, draws shall be made ratably thereon to make up the deficiency. Any deficiency created in the Reserve Account or separate reserve account by reason of any such withdrawal shall then be made up from money in the Revenue Fund first available after making the payments required to be made under paragraphs "FIRST" through "FOURTH" of Section 10 of this ordinance.

This ordinance supplements the prior Parity Bond Ordinances to provide that the City may deduct the direct payment the City is expected to receive in respect of any Future Parity Bonds for which the federal government will provide the City with a direct payment of a portion of the interest from the interest portion of Annual Debt Service.

With the consent of the appropriate percentage of Parity Bond owners, the City may create a separate reserve account and set the reserve requirement for a series of future Parity Bonds, in which case the Reserve Account previously created by the City will not secure such future Parity Bonds. The owners of the Bonds by taking and holding the same shall be deemed to have consented to the adoption by the City of such amendment.

(C) *Lien of Bond Fund.* The Bonds, together with the interest thereon, shall be payable from Assessments, if any, and Gross Revenue, and such Gross Revenue is hereby pledged and set aside out of the Revenue Fund into the Bond Fund. Said amounts so pledged are hereby declared to be a lien and charge upon Assessments, if any, and Gross Revenue equal to the lien and charge thereon to secure and pay the principal of and interest on any Future Parity Bonds and superior to all other charges of any kind or nature, except the Operation and Maintenance Expenses.

(D) *Investment of Money in Bond Fund.* All money in the Debt Service Account, Reserve Account or separate reserve account, may be kept in cash or invested in Permitted Investments maturing not later than the last maturity of the Bonds outstanding at the time of such purchase. Interest earned on or profits made from the sale of such investments shall be deposited in and become a part of the Bond Fund or the Revenue Fund.

Section 13. Adequacy of Revenue. The Council hereby declares that in fixing the amounts to be paid into the Bond Fund it has considered and has due regard for the Operation and Maintenance Expenses and has not obligated the City to set aside and pay into the Bond Fund more money from the Revenue Fund than in its judgment will be available over and above such Operation and Maintenance Expenses.

Section 14. General Covenants. The City hereby covenants with the owner of each of the Bonds for as long as any of the same remain outstanding as follows:

(A) *Rates and Charges.* The City covenants that it will establish, maintain and collect lawful rates and charges for the use of the services and facilities of the System, and shall adjust such rates and charges from time to time so that:

(i) Gross Revenue will at all times be sufficient (a) to pay all Operation and Maintenance Expenses and to pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts that the City may now be and hereafter become obligated to pay from Gross Revenue by law or contract, and, together with Assessments actually collected, (b) to pay the principal of and interest on all outstanding Parity Bonds as and when the same become due and payable, to make all payments required to be made into the Bond Fund to satisfy the Sinking Fund Requirement, and to make when due all payments required to be made into the Reserve Account; and

(ii) the Net Revenue in each calendar year will equal at least 1.25 times Annual Debt Service for such year (after deducting Assessments actually collected for such year). For the purpose of meeting the requirement of this paragraph there may be added to Net Revenue for any calendar year any amount withdrawn from the Rate Stabilization Account and credited to Gross Revenue as provided in Section 11 of this ordinance. There shall be subtracted from Net Revenue for any calendar year any amounts in such year withdrawn from the Revenue Fund and deposited into the Rate Stabilization Account in such calendar year.

This ordinance supplements the prior Parity Bond Ordinances for the purpose of providing that Annual Debt Service shall be deemed to exclude from interest the amount the City is expected to receive in respect of any Future Parity Bonds for which the federal government will provide the City with a direct payment of a portion of the interest from the interest portion of annual debt service.

(B) *Maintenance of System.* The City covenants that it will at all times keep and maintain the System in good repair, working order and condition, and will at all times operate the same and the business in connection therewith in an efficient manner and at a reasonable cost.

(C) *Sale or Disposition of the System.* The City will not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the System, except as follows:

(i) The City may sell, mortgage, lease or otherwise dispose of all or substantially all of the System if, simultaneously with such sale, mortgage, lease or other disposition or encumbrance, provision is made for the payment into the Bond Fund of cash or

Government Obligations sufficient together with interest to be earned thereon to pay the principal of and interest on all then outstanding Parity Bonds.

(ii) Except as provided in subsection (iii) below, the City will not sell, mortgage, lease or otherwise dispose of or encumber any part of the useful operating properties of the System in excess of 5% of the value of the net utility plant of the System unless prior to such sale, mortgage, lease or other disposition or encumbrance:

(a) there shall have been filed with the Administrative Services Director a certificate of a Professional Utility Consultant stating that such sale, mortgage, lease or other disposition or encumbrance will not impair the ability of the City to comply with the rate covenants set forth in Section 14(A) of this ordinance; or

(b) provision is made for the payment, redemption or other retirement of a principal amount of outstanding Parity Bonds equal to the greater of the following amounts: (X) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Net Revenue from the portion of the System sold or disposed of for the twelve preceding months bears to the total Net Revenue for such period; or (Y) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding that the book value of the part of the System sold or disposed of bears to the book value of the entire System immediately prior to such sale or disposition.

(iii) The City may sell or otherwise dispose of any of the works, plant, properties and facilities of the System or any real or personal property comprising a part of the same with a value less than 5% of the net utility plant of the System or which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

(D) *Collection of Assessments.* The City shall promptly collect all Assessments levied in any utility local improvement district now or hereafter created to secure the payment of the principal of and interest on any Parity Bonds and shall pay the same into the Bond Fund without allocation of such Assessments to any particular series of Parity Bonds. It is hereby provided further, however, that nothing in this ordinance or in this subsection shall be construed to prohibit the City from issuing revenue bonds having a lien on Gross Revenue junior to the lien on such revenue for the payment of the principal of and interest on Parity Bonds and pledging as security for the payments of such junior lien bonds assessments levied in any utility local improvement district that may have been created to pay part or all the cost of improvements to the System for which such junior lien revenue bonds were specifically issued.

(E) *Books and Accounts.* The City covenants that it will maintain complete books and records relating to the operation of the System and its financial affairs, and will cause such books and records to be audited annually, and cause to be prepared an annual financial and operating statement, said statement to be mailed to any owner of Parity Bonds upon request.

(F) *Insurance.* The City covenants that it will carry fire and extended coverage insurance on the System as is ordinarily carried on the property of similar public utilities by other municipal corporations engaged in the operation of the same if such insurance can be obtained at a reasonable cost, to the full insurable value thereof, and will also carry adequate public liability insurance and other kinds of insurance as under good practices are ordinarily carried on the properties of similar public utilities by private companies engaged in the operation of the same; provided, however, that the City may if deemed necessary and advisable by the Council, institute or continue a self-insurance program with respect to any or all of the aforementioned risks. The premiums paid for all such insurance shall be regarded and paid as an Operation and Maintenance Expense.

(G) *Delinquencies.* The City covenants that it will promptly collect all service charges and Assessments, determine in a timely manner all delinquencies, and take all necessary legal action to enforce collection of such delinquencies.

(H) *No Free Service.* Except as permitted by law, the City will not furnish any service of the System to any customer free of charge.

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 Administrative Services 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.

(C) *Designation of a Series of Bonds as "Qualified Tax-Exempt Obligations."* A Series of the Bonds may be designated as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code, if the following conditions are met:

(i) the Series does not constitute "private activity bonds" within the meaning of Section 141 of the Code;

(ii) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Series is issued will not exceed \$10,000,000; and

(iii) the amount of tax-exempt obligations, including the Series, designated by the City as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Series is issued does not exceed \$10,000,000.

Section 16. Payment Agreements.

(A) *General.* To the extent, and for the purposes permitted from time to time by Chapter 39.96 RCW and other applicable provisions of State law, the City may enter into Payment Agreements with respect to any Parity Bonds, subject to the conditions set forth in this section and in other provisions of this ordinance.

(B) *Manner and Schedule of Payments.* Each Payment Agreement shall set forth the manner in which the Payment Agreement Payments and the Payment Agreement Receipts shall be calculated and a schedule of payment dates.

(C) *Authorizing Ordinance.* Prior to entering into a Payment Agreement, the Council shall pass an ordinance authorizing such agreement and setting forth such provisions as the Council deems necessary or desirable and are not inconsistent with the provisions of this ordinance.

(D) *Calculation of Payment Agreement Payments and Debt Service on Junior Lien Obligations with Respect to which a Payment Agreement is in Force.* It is the intent of the City, for purposes of the rate coverage requirement set forth in Section 14(A)(ii) of this ordinance and the Future Parity Bonds test set forth in Section 17(A)(v) of this ordinance, that debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be calculated to reflect the net economic effect on the City intended to be produced by the terms of the Parity Bonds and the terms of the Payment Agreement. In calculating such amounts, the City shall be guided by the following requirements:

(i) The amount of interest deemed to be payable on any Parity Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in those Parity Bonds plus Payment Agreement Payments minus Payment Agreement Receipts.

(ii) For any period during which Payment Agreement Payments are not taken into account in calculating interest on any outstanding Parity Bonds because the Payment Agreement is not then related to any outstanding Parity Bonds, Payment Agreement Payments on that Parity Payment Agreement shall be calculated based upon the following assumptions:

(a) *City Obligated to Make Payments Based on Fixed Rate.* If the City is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, payments by the City will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made; and

(b) *City Obligated to Make Payments Based on Variable Rate Index.* If the City is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, payments by the City will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Payment Agreement.

(E) *Prior Notice to Moody's and Standard & Poor's.* The City shall give notice to Moody's Investors Service and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, 30 days prior to the date it intends to enter into a Payment Agreement with respect to any Parity Bonds.

Section 17. Future Parity Bonds. The City hereby further covenants and agrees with the owners of the Bonds for as long as any of the same remain outstanding as follows:

(A) That it will not issue any bonds with a lien on Gross Revenue superior to the lien on such revenues of the Bonds. The City may issue Future Parity Bonds for:

FIRST, the purpose of acquiring, constructing and installing additions and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements or repairs and capital improvements to the System, or for any other lawful purpose; or

SECOND, the purpose of refunding or purchasing and retiring at or prior to their maturity any outstanding revenue bonds or other obligations payable out of Gross Revenue; and to pledge that payments be made into the Bond Fund for the payment of the principal thereof and interest thereon out of the Revenue Fund sufficient to pay the principal of and interest on such Future Parity Bonds and to maintain the reserves required therefor, which such payments may rank equally with the payments out of such Revenue Fund into the Bond Fund and the Reserve Account to pay and secure the payment of the principal of and interest on any Parity Bonds then outstanding, upon compliance with the following conditions:

(i) That at the time of the issuance of such Future Parity Bonds there is no deficiency in the Bond Fund.

(ii) If there are assessments levied in any utility local improvement district in which additions and improvements to and extensions of the System will be constructed from the proceeds of such Future Parity Bonds, the ordinance authorizing such Future Parity Bonds shall require that such assessments be paid into the Bond Fund.

(iii) If there are assessments pledged to be paid into a warrant or bond redemption fund for revenue bonds or warrants being refunded by Future Parity Bonds, the ordinance authorizing such Future Parity Bonds shall require such assessments to be used for the refunding or paid into the Bond Fund.

(iv) The principal of and interest on the Future Parity Bonds shall be payable out of the Bond Fund, and the ordinance authorizing their issuance shall further provide for payments into the Bond Fund to satisfy the Sinking Fund Requirement and payments into the

Reserve Account to satisfy the Reserve Account Requirement, all as required by Section 12 of this ordinance.

(v) Prior to the delivery of any Future Parity Bonds, the City shall have on file in the office of the Administrative Services Director either

(a) a certificate of the Administrative Services Director showing that the Net Revenue determined as hereafter provided for each calendar or fiscal year after the issuance of such Future Parity Bonds will equal at least 1.25 times the Annual Debt Service (after deducting Assessments, allocated to the years in which they would be received if the unpaid balance of each assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the assessment roll) for each such calendar or fiscal year for all Parity Bonds plus the Future Parity Bonds (which may include amounts withdrawn from the Rate Stabilization Account, as provided in Section 11 of this ordinance) proposed to be issued. For purposes this certificate, "Net Revenue" shall be the Net Revenue for a period of any 12 consecutive months (which may include amounts withdrawn from the Rate Stabilization Account, as provided in Section 11 of this ordinance) out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds.

(b) a certificate of a Professional Utility Consultant showing that the Net Revenue determined and adjusted as hereafter provided for each calendar or fiscal year after the issuance of such Future Parity Bonds (the "Adjusted Net Revenue") will equal at least 1.25 times the Annual Debt Service (after deducting Assessments, allocated to the years in which they would be received if the unpaid balance of each assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the assessment roll) for each such calendar or fiscal year for all Parity Bonds plus the Future Parity Bonds proposed to be issued.

The Adjusted Net Revenue shall be the Net Revenue for a period of any 12 consecutive months (which may include amounts withdrawn from the Rate Stabilization Account, as provided in Section 11 of this ordinance) out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds as adjusted by such Professional Utility Consultant to take into consideration changes in Net Revenue estimated to occur under the following conditions for each year after such delivery for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be outstanding:

(X) the additional Net Revenue that would have been received if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 12-month period, had been in force during the full 12-month period;

(Y) the additional Net Revenue that would have been received if any facility of the System that became fully operational after the beginning of such 12-month period had been so operating for the entire period; and

(Z) the additional Net Revenue estimated by such Professional Utility Consultant to be received as a result of any additions, betterments and improvements to and extensions of any facilities of the System that are (1) under construction at the time of such certificate or (2) will be constructed from the proceeds of the Future Parity Bonds to be issued.

Such Professional Utility Consultant may rely upon, and his or her certificate shall have attached thereto, financial statements of the System certified by the Administrative Services Director showing income and expenses for the period upon which the same is based.

(B) Notwithstanding the foregoing requirement, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of the then outstanding Parity Bonds and the issuance of such refunding Future Parity Bonds will result in a debt service savings and does not require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on such refunding Future Parity Bonds over and above the amount required in such year for the principal of and interest on the bonds being refunded thereby, the condition stated in subsection (A)(v) of this section need not be met.

(C) Nothing herein contained shall prevent the City from issuing any revenue bonds, warrants or other obligations that are a charge upon the money in the Revenue Fund junior or inferior to the payments required by this ordinance to be made into the Bond Fund and the Reserve Account.

Section 18. 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 19. Form of the Bonds. The Bonds shall be in substantially the following form:

No. _____ \$ _____

UNITED STATES OF AMERICA
STATE OF WASHINGTON
CITY OF OLYMPIA

WATER AND SEWER REVENUE REFUNDING BOND, SERIES 20__

INTEREST RATE: _____% MATURITY DATE: _____ CUSIP NO.: _____

REGISTERED OWNER: CEDE & Co.

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Olympia, Washington (the "City"), for value received, hereby promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from the _____, 20__, or the most recent date to which interest has been paid or duly provided for until payment of this Bond at the Interest Rate set forth above, payable on _____, 20__, and semiannually thereafter on the [first] days of each _____ and _____. The principal of and interest on this Bond are payable solely out of the special fund of the City known as the "Water and Sewer Revenue Bond Redemption Fund" (the "Bond Fund").

Both principal of and interest on this Bond are payable in lawful money of the United States of America. [For so long as the Bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations from the City to DTC. In the event that the Bonds of this issue are no longer held in fully immobilized form, interest on this Bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of this Bond shall be payable upon presentation and surrender of this Bond by the Registered Owner at the principal office at the principal office of the fiscal agent of the State of Washington (the "Bond Registrar"); provided, however, that if so requested in writing by the Registered Owner of at least \$1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.]

Principal and interest are payable solely out of the Bond Fund, into which fund the City hereby irrevocably binds itself to pay certain fixed amounts out of the Gross Revenue of the System, as the same is defined in Ordinance No. _____ of the City (the "Bond Ordinance"), without regard to any fixed proportion, namely, amounts sufficient to pay the principal of and interest on the outstanding Bonds and any additional and/or refunding water and sewer revenue bonds issued on a parity of lien with the Bonds and to accumulate a reserve, all at the times and

in the manner set forth in the Bond Ordinance. Reference is made to the Bond Ordinance for definitions of capitalized terms not otherwise defined herein.

This Bond is one of a total issue of \$_____ par value of the Bonds, all of like date and tenor, except as to maturity, redemption provisions and interest rates, all payable from the Bond Fund and all issued by the City under and pursuant to the laws of the State of Washington and the Bond Ordinance for the purpose of providing funds to pay the cost of certain capital improvements to the water and sewer system of the City and to refund certain outstanding water and sewer bonds as specified in the Bond Ordinance.

The Bonds are subject to redemption prior to their stated maturity as provided in the Bond Ordinance.

The Gross Revenue is hereby pledged to the payment of principal of and interest on the Bonds, and the Bonds constitute a charge or lien upon such revenues prior and superior to any other charges whatsoever, excluding charges for Operation and Maintenance Expenses of the System, and equal to the lien and charge thereon of the 2007 Bonds, the 2010 Bonds, the 2013 Bonds, and any Future Parity Bonds. The Bonds are not a general obligation of the City.

The City hereby covenants and agrees with the owners of the Bonds to carry out fully all covenants and meet all obligations of the City as set forth herein and in the Bond Ordinance, and reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication set forth hereon has been signed by the Bond Registrar.

This Bond is interchangeable for Bonds of any authorized denomination of an equal aggregate principal amount, and of the same interest rate and maturity. This Bond is transferable only upon the registry books of the Bond Registrar by surrender of this certificate to the Bond Registrar, duly assigned and executed as indicated below. Such exchange or transfer shall be without cost to the owner or transferee. The City may deem the person in whose name this Bond is registered to be the absolute owner thereof for the purpose of receiving payment of the principal of and interest on such Bond and for any and all other purposes whatsoever. The Bond Registrar shall not be obligated to transfer or exchange this Bond during the fifteen days preceding any interest payment date or the date on which notice of redemption of such Bond is to be given nor after such notice has been given.

It is hereby certified and declared that the Bonds are issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and the ordinances of the City and that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have happened, have been done and have been performed as required by law.

IN WITNESS WHEREOF, the City has caused this Bond to be signed by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its City Clerk, and its corporate seal to be impressed or a facsimile thereof imprinted hereon this ____ day of _____, 20__.

CITY OF OLYMPIA, WASHINGTON

By _____ /s/ _____
Mayor

ATTEST:

_____/s/_____
City Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This is one of the City of Olympia, Washington, Water and Sewer Revenue Refunding Bonds, Series 20__, dated _____, 20__, described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By: _____
Authorized Officer

Section 20. Lost or Stolen Bonds. In case any Bonds shall be lost, stolen or destroyed, the Bond Registrar may deliver a new bond or bonds of like amount, date, maturity, interest rate, tenor, and effect to the registered owner or nominee thereof upon the owner paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to said Bond Registrar that such bond or bonds were actually lost, stolen or destroyed and or ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Section 21. Refunding of the Refunded Bonds.

(A) *Appointment of Refunding Trustee.* The Designated Representative is authorized to appoint a Refunding Trustee in connection with the Bonds.

(B) *Use of Bond Proceeds; Acquisition of Acquired Obligations.* The proceeds of the sale of a Series of the Bonds, after any deposit to the Reserve Account or other reserve account, shall be deposited immediately upon the receipt thereof with the Refunding

Trustee and used to discharge the obligations of the City relating to the applicable Refunded Bonds under the respective Refunding Bond Ordinance by providing for the payment of the amounts required to be paid by the Refunding Plan. To the extent practicable, such obligations shall be discharged fully with Bond proceeds by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations, if acquired, will be listed and more particularly described in an exhibit to be attached to the Refunding Trust Agreement between the City and the Refunding Trustee, but are subject to substitution as set forth below. Any Bond proceeds or other money deposited with the Refunding Trustee not needed to purchase the Acquired Obligations and provide a beginning cash balance, if any, and pay the costs of issuance of the Bonds shall be returned to the City at the time of delivery of the Bonds to the initial purchaser thereof and deposited in the Bond Fund to pay interest on the Bonds on the first interest payment date.

If payment of the costs of issuance of the respective Series of Bonds is not included in the Refunding Plan, the Bond proceeds from that Series that are not deposited with the Refunding Trustee will be deposited with the City to be used to pay the costs of issuance of the respective Series of Bonds. Any additional proceeds of the respective Series of Bonds may be deposited into the respective Bond Fund and used to pay interest on the respective Series of Bonds on the first interest payment date.

(C) *Substitution of Acquired Obligations.* Prior to the purchase of any Acquired Obligations by the Refunding Trustee, the City reserves the right to substitute other direct, noncallable obligations of the United States of America ("Substitute Obligations") for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if, (a) in the opinion of the City's bond counsel, the interest on the Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148, and 149(d) of the Code, and (b) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm.

After the purchase of the Acquired Obligations, if any, by the Refunding Trustee, the City reserves the right to substitute therefor cash or Substitute Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such substitution will not cause the Bonds or the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue dates of the Bonds and the Refunded Bonds, as applicable, and that the City obtain, at its expense: (1) a verification by a nationally recognized independent firm acceptable to the Refunding Trustee confirming that the payments of principal of and interest on the substitute securities, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (2) an opinion from a nationally recognized bond counsel to the City, to the effect that the disposition and substitution or purchase of such securities, under the statutes, rules, and regulations then in force and applicable to the Bonds, will not cause the interest on the Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in

compliance with the statutes and regulations applicable to the Bonds. Any surplus money resulting from the sale, transfer, other disposition, or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the City to be used for any lawful City purpose.

(D) *Administration of Refunding Plan.* The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or substitute obligations), if so directed by the Designated Representative, and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the respective Refunding Bond Ordinances, this ordinance, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation, and expenses of the Refunding Trustee for the respective Series of Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the respective Series of Bonds, including bond printing, verification fees, Bond Counsel's fees, and other related expenses, shall be paid out of the proceeds of the respective Series of Bonds.

(E) *Authorization for Refunding Trust Agreement.* To carry out the Refunding Plan provided for by this ordinance, the Designated Representative is authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption, and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation, and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the Designated Representative of the City is authorized to make such changes therein that do not change the substance and purpose thereof or that assure that the escrow provided therein and the Bonds are in compliance with the requirements of federal law governing the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 22. Call for Redemption of the Refunded Bonds. The City will call for redemption on such date or dates as determined by the Designated Representative, all of the Refunded Bonds at par plus accrued interest. Such call for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof. The date(s) on which the Refunded Bonds are herein called for redemption will be the first date on which those bonds may be called.

The proper City officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required by the respective Refunding Bond Ordinances, in order to effect the redemption prior to their maturity of the Refunded Bonds.

Section 23. Findings with Respect to Refunding. The City Council authorizes the Designated Representative to issue the Bonds if it will achieve debt service savings to the City and is in the best interest of the City and its taxpayers and in the public interest. In making such finding and determination, the Designated Representative will give consideration to the fixed maturities of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds and the

known earned income from the investment of the proceeds of the issuance and sale of the Bonds and other money of the City used in the Refunding Plan, if any, pending payment and redemption of the Refunded Bonds.

The Designated Representative may also purchase Acquired Obligations to be deposited with the Refunding Trustee, together with the income therefrom, and with any necessary beginning cash balance, which will be sufficient to redeem the Refunded Bonds and will discharge and satisfy the obligations of the City under the respective Refunding Bond Ordinances with respect to the respective Refunded Bonds, and the pledges, charges, trusts, covenants, and agreements of the City therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under such ordinance immediately upon the deposit of such money with the Refunding Trustee.

Section 24. 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 Agreement 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 25. Official Statement; Continuing Disclosure.

(A) *Preliminary Official Statement Deemed Final.* The Designated Representative shall review and, if acceptable to her or him, 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 been 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 delivered to purchasers and potential purchasers of a Series of the Bonds.

Section 26. Application of Bond Proceeds. The proceeds of a Series of the Bonds shall be applied as follows:

(A) The amount necessary to satisfy the Reserve Account Requirement, if necessary, shall be deposited into the Reserve Account; and

(B) The balance of a Series of the Bond proceeds shall be deposited with the Refunding Trustee to carry out the Refunding Plan.

Section 27. Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to the Purchaser(s) acting as a participating underwriter for the Bonds, the City makes the following written undertaking (the "Undertaking") for the benefit of holders of the Bonds:

(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: (A) principal and interest payment delinquencies; (B) non-payment related defaults, if material; (C) unscheduled draws on debt service reserves reflecting financial difficulties; (D) unscheduled draws on credit enhancements reflecting financial difficulties; (E) substitution of credit or liquidity providers, or their failure to perform; (F) 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; (G) modifications to rights of holders of the Bonds, if material; (H) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (I) defeasances; (J) release, substitution, or sale of property securing repayment of the Bonds, if material; (K) rating changes; (L) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (M) 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; (N) appointment of a successor or additional trustee or the change of name of a trustee, if material; (O) incurrence of a financial obligation of the City or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or obligated person, any of which affect security holders, if material; and (P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City or obligated person, any of which reflect financial difficulties. The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

(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 (A) annual financial statements showing ending fund equity for the System 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; (B) principal amount of Parity Bonds outstanding at the end of the applicable fiscal year; and (C) rates for the 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, 2019; 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 an event of default. 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 Fiscal Services Director or her or his designee is the person designated 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.

Section 28. Authorization to Officials and Agents. The proper City officials are hereby authorized and directed to approve an official statement or other disclosure document, and to do everything necessary and proper for the prompt issuance, execution and delivery of the Bonds in conformance with the provisions of this ordinance and for the proper use and application of the proceeds of the sale thereof as provided in this ordinance.

Section 29. Supplements and Amendments.

(A) The Council from time to time and at any time may adopt an ordinance or ordinances supplementing or amending this ordinance, which ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more or all of the following purposes:

(i) To add to the covenants and agreements of the City in this ordinance other covenants and agreements thereafter to be observed, which shall not adversely affect the interests of the owners of any Parity Bonds in any material respect, or to surrender any right or power herein reserved to or conferred upon the City.

(ii) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance in regard to such matters or questions as the Council may deem necessary or desirable and not inconsistent with this ordinance and which shall not adversely affect the interests of the owners of any Parity Bonds in any material respect.

(iii) To amend or supplement any provision contained in this ordinance for the purpose of obtaining or maintaining a rating on the Bonds so long as such amendment or supplement is not inconsistent with this ordinance and will not adversely affect the interests of the owners of any Parity Bonds in any material respect.

Any such supplemental ordinance of the Council may be adopted without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of subsection B of this section; provided, however, that the City shall obtain an opinion of nationally recognized bond counsel to the effect that such supplemental ordinance complies with

this subsection A and will not adversely affect the interests of the owners of any Parity Bonds in any material respect.

(B) With the consent of the owners of not less than a majority in aggregate principal amount of the Parity Bonds at the time outstanding, the Council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall:

(i) Extend the fixed maturity of any Parity Bond, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Parity Bond so affected; or

(ii) Reduce the aforesaid percentage of owners of Parity Bonds required to approve any such supplemental ordinance, without the consent of the owners of all Parity Bonds then outstanding.

It shall not be necessary for the consent of bondowners under this subsection B to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

(C) Upon the adoption of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be deemed modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance and all owners of Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental ordinance shall be deemed to be part of the terms and conditions of this ordinance for any and all purposes.

Section 30. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

Section 31. Ratification. Any action consistent with the authority but prior to the effective date of this ordinance is hereby ratified and confirmed.

Section 32. Effective Date. This ordinance shall take effect five days after its passage, approval and publication as required by law.

PASSED by the City Council of the City of Olympia, Washington, at an open public meeting thereof, this 19th day of November, 2019, and signed in authentication of its passage this 19th day of November, 2019.

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

Nancy Jacobs

Bond Counsel

CERTIFICATION

I, the undersigned, City Clerk of the City of Olympia, Washington (the “City”), hereby certify as follows:

1. The attached copy of Ordinance No. ____ (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 November 19, 2019, 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 November ____, 2019.

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: November 19, 2019.

CITY OF OLYMPIA, WASHINGTON

City Clerk