

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF REDMOND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF UTILITY SYSTEM REVENUE REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$16,500,000 TO REFUND CERTAIN OUTSTANDING UTILITY SYSTEM REVENUE BONDS OF THE CITY, TO MAKE A DEPOSIT TO THE RESERVE ACCOUNT (IF REQUIRED), AND TO FINANCE COSTS OF ISSUANCE OF THE BONDS; PROVIDING THE FORM, TERMS AND COVENANTS OF THE BONDS; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE OF THE BONDS; AND DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF THE BONDS.

WHEREAS, the City of Redmond, Washington (the "City"), owns, maintains and operates a combined water and sewerage system, which combined systems comprise the waterworks utility of the City, and a storm and surface water drainage system; and

WHEREAS, pursuant to Ordinance No. 2423 adopted by the City Council on November 18, 2008, the City combined its storm and surface water drainage system with the waterworks utility of the City, as such utilities may be added to, improved or extended from time to time (as combined, the "System") for borrowing purposes; and

WHEREAS, the City has issued its Utility System Revenue Bonds, 2014 (the "2014 Bonds" and the "Outstanding Parity Bonds"), dated July 24, 2014, pursuant to Ordinance No. 2743 passed by the City Council (the "Council") on June 17, 2014 (the "2014 Parity Bond

Ordinance"), which remain outstanding in the aggregate principal amount of \$17,785,000; and

WHEREAS, the 2014 Parity Bond Ordinance provides that the City may call the 2014 Bonds maturing on or after December 1, 2025 (the "Refunding Candidates") for redemption on or after December 1, 2024, in whole or in part on any date, at a price of par plus accrued interest, if any, to the date of redemption; and

WHEREAS, the 2014 Parity Bond Ordinance provides that additional utility system revenue bonds may be issued on a parity of lien with the Outstanding Parity Bonds if certain conditions are met; and

WHEREAS, after due consideration it appears to the Council that all or a portion of the Refunding Candidates (the "Refunded Bonds") may be defeased and refunded by proceeds of utility system revenue refunding bonds at a savings to the City and its taxpayers; and

WHEREAS, the Council deems it in the best interest of the City to issue and sell revenue bonds on a parity of lien with the Outstanding Parity Bonds in the aggregate principal amount of not to exceed \$16,500,000 to redeem and defease the Refunded Bonds, and to pay costs of issuing the bonds; and

WHEREAS, the Council wishes to delegate authority to the Finance Director and the Mayor (each, a "Designated

Representative"), for a limited time, to approve the interest rates, maturity dates, redemption terms and principal maturities for each series of the bonds within the parameters set by this ordinance; and

WHEREAS, the City expects to receive a proposal from Piper Sandler & Co. (the "Underwriter") and now desires to issue and sell the refunding bonds to the Underwriter as set forth herein;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON, DOES ORDAIN as follows:

Section 1. Definitions.

Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this ordinance, have the following meanings, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined:

Accreted Value means (a) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in the ordinance authorizing their issuance as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Bonds plus the

amount of discounted principal that has accreted since their date of issue. In each case, the Accreted Value shall be determined in accordance with the provisions of the ordinance authorizing the issuance of such Capital Appreciation Bonds.

Acquired Obligations mean the Government Obligations acquired by the City under the terms of this ordinance and the Escrow Agreement to effect the defeasance and refunding of the Refunded Bonds, but only to the extent that the same are acquired at Fair Market Value.

Annual Debt Service means the total amount of Debt Service for any Parity Bond or series of Parity Bonds in any fiscal year or Base Period.

Average Annual Debt Service means, as of its date of calculation, the sum of Annual Debt Service with respect to all Parity Bonds outstanding (including all Parity Bonds maturing in the fiscal year of calculation) for all fiscal years during which those Parity Bonds are scheduled to remain outstanding, divided by the number of those fiscal years (without regard to bond years).

Balloon Maturity Bonds mean any Future Parity Bonds that are so designated in the ordinance pursuant to which they are issued.

Base Period means any consecutive 12-month period selected by the City out of the 24-month period next preceding the date of issuance of an additional series of Future Parity Bonds.

Beneficial Owner means any person that has or shares the power, directly or indirectly to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Bond Account means the special account of the City known as the "Waterworks Utility Revenue Bond Account."

Bond Counsel means Pacifica Law Group LLP or an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions.

Bond Purchase Contract means the contract for the purchase of the Bonds between the Underwriter and the City, executed pursuant to Section 15 of this ordinance.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means, initially, the fiscal agent of the State, for the purposes of registering and authenticating each series of Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

Bonds mean the City's Utility System Revenue Refunding Bonds, 2021, authorized to be issued pursuant to this ordinance.

Call Date means the date or dates selected by the City and set forth in the Escrow Agreement for redemption of the Refunded Bonds.

Capital Appreciation Bonds mean any Future Parity Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Capital Appreciation Bonds. If so provided in the ordinance authorizing their issuance, Future Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Future Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount equal to their Accreted Value.

City means the City of Redmond, Washington, a municipal corporation duly organized and existing by virtue of the laws of the State.

City Attorney means the duly appointed and acting City Attorney of the City, including anyone acting in such capacity for the position, or the successor to the duties of that office.

City Clerk means the duly appointed and acting City Clerk of the City or the successor to the duties of that office.

Closing means the date of delivery of a series of Bonds to the Underwriter.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commission means the United States Securities and Exchange Commission.

Continuing Disclosure Certificate means one or more written undertakings for the benefit of the owners and Beneficial Owners of the Bonds as required by Section (b) (5) of the Rule.

Contract Resource Obligation means (a) the obligation of the City to pay "Member Charges," as defined in and pursuant to the Amended and Restated Cascade Water Alliance Interlocal Contract, dated as of December 15, 2004, as now in existence and as the same may be amended in the future in a manner binding on the City; and (b) any other obligation of the City, designated as a Contract Resource Obligation and entered into pursuant to Section 19 of this ordinance, to make payments for water or sewer supply, transmission or other commodity or service to another person or

entity (including, without limitation a separate utility system, created pursuant to Section 18 of this ordinance).

Contract Revenue means payments made to the City during any fiscal period of the City by a Rated Customer under contract with the City pursuant to which the Rated Customer receives services from the System and the payments are either required or available to be used to pay debt service on Parity Bonds.

Coverage Requirement means Net Revenue in each fiscal year at least equal to 120% of the amounts required in such fiscal year to be paid as scheduled Debt Service on all Parity Bonds, subtracting from scheduled Debt Service (1) the amount of ULID Assessments collected in such fiscal year and (2) Debt Service Offsets. Furthermore, in determining compliance with the Coverage Requirement, Net Revenues are subject to adjustment to reflect the following:

(a) It is the intent of the City that regularly scheduled net payments under Parity Derivative Products be reflected in the calculation of Debt Service with respect to the associated Parity Bonds and not as adjustments to Gross Revenue or Operations and Maintenance Costs; and

(b) Gross Revenue and Operations and Maintenance Costs may be adjusted, regardless of then applicable generally accepted accounting principles, for certain items (e.g., to omit unrealized

gains or losses in investments) to more fairly reflect the System's annual operating performance.

Covered Bonds mean the Outstanding Parity Bonds; the Bonds, if designated by a Designated Representative as Covered Bonds pursuant to Section 15; and those Future Parity Bonds designated in the ordinance authorizing their issuance as Covered Bonds secured by the Reserve Account.

Council or **City Council** means the legislative body of the City as duly and regularly constituted from time to time.

Credit Facility means any bond insurance policy surety bond, guaranty, letter of credit, standby bond purchase agreement or other similar credit and/or liquidity support facility providing for or securing the payment of all or part of the principal or purchase price of and interest on any evidences of indebtedness secured by the Net Revenue, issued by an institution which has been assigned a credit rating at the time of issuance of the facility in one of the two highest rating categories of any Rating Agency (without regard to any gradations within a rating category).

Debt Service means, for any period of time:

(a) With respect to any outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the ordinance authorizing their issuance, the principal amount thereof shall be equal to the

Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period;

(b) With respect to any outstanding Fixed Rate Bonds, an amount equal to (1) the principal amount of such Fixed Rate Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such Fixed Rate Bonds, plus (3) all interest payable during such period on any such outstanding Fixed Rate Bonds and with respect to Fixed Rate Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Fixed Rate Bonds on the date specified in the ordinance authorizing such Fixed Rate Bonds; and

(c) With respect to all other Parity Bonds (other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds), specifically including, but not limited to, Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such Parity Bonds during such period computed on the assumption that the amount of Parity Bonds as of the date of such computation would be amortized (1) in

accordance with the mandatory redemption provisions, if any, set forth in the ordinance authorizing the issuance of such Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance, (2) at an interest rate equal to the yield to maturity equal to the higher of (i) the average of the SIFMA Municipal Swap Index over the 60 month period immediately preceding the date of computation, or (ii) the average of the SIFMA Municipal Swap Index over the 12 month period immediately preceding the date of computation, as determined within ten days prior to the date of computation or, if such computation is being made in connection with the certificate required by Section 16(a) (5) hereof, then within ten days prior to the date of such certificate, (iii) to provide for essentially level annual debt service of principal and interest over such period.

Debt Service shall be computed net of any interest funded out of Parity Bond proceeds. Debt Service shall include reimbursement obligations to providers of Credit Facilities to the extent authorized by ordinance. It is the City's intent that regularly scheduled payments to be made by or received by the City under Parity Derivative Products shall be added to and deducted from, respectively, Debt Service with respect to Parity Bonds associated

with such Parity Derivative Product, to the extent authorized by ordinance.

Debt Service Offsets mean (a) Contract Revenues if and to the extent that such Contract Revenues are deposited into the Bond Account during a fiscal period, and (b) receipts of the City that are not included in Gross Revenue and that are legally available to pay debt service on Parity Bonds, including without limitation federal interest subsidy payments, designated as such by the City.

Designated Representatives mean the Mayor or Finance Director, or such officer's designee. The signature of one Designated Representative shall be sufficient to bind the City.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 4 of this ordinance.

Escrow Agent means the trust company or state or national bank having powers of a trust company selected by the City to serve as escrow agent pursuant to Section 8 of this ordinance

Escrow Agreement means the Escrow Deposit Agreement between the City and the Escrow Agent to be dated as of the date of Closing of a series of Bonds.

Fair Market Value means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide,

arm's-length transaction, except for specified investments as described in Treasury Regulation § 1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

Federal Tax Certificate means the certificate executed by a Designated Representative setting forth the requirements of the Code for maintaining the tax status of the applicable Tax-Advantaged Bonds or Tax-Exempt Bonds, and attachments thereto.

Finance Director means the duly appointed Finance Director of the City or the officer of the City authorized to succeed to the duties of such office.

Fixed Rate Bonds mean those Parity Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under an ordinance in which the rate of interest on such Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the ordinance authorizing their issuance, Parity Bonds

may be deemed to be Fixed Rate Bonds for only a portion of their term.

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

Government Obligations mean those obligations now or hereafter defined as such in chapter 39.53 RCW constituting direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, as such chapter may be hereafter amended or restated.

Gross Revenue means all of the earnings and revenues received by the City from the maintenance and operation of the System and connection and capital improvement charges collected for the purpose of defraying the cost of capital facilities of the System, including investment earnings, but excluding government grants, proceeds from the sale of System property, City taxes collected by or through the System, principal proceeds of bonds and earnings or proceeds from any investments in a trust, defeasance or escrow

fund created to defease or refund System obligations (until commingled with other earnings and revenues of the System) or held in a special account for the purpose of paying a rebate to the United States Government under the Code, and revenue from any Separate System. Gross Revenue shall also include any federal or state reimbursements of operating expenses to the extent such expenses are included as Operations and Maintenance Costs; provided, however, that Gross Revenue shall not include ULID Assessments. For purposes of determining compliance with the Coverage Requirement, Gross Revenue shall not include Contract Revenue and other Debt Service Offsets as determined by the City. Amounts withdrawn from the Rate Stabilization Account shall increase Gross Revenue for the period in which they are withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the period during 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.

Independent Utility Consultant means a professional consultant experienced with municipal utilities of comparable size and character to the System.

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

Maximum Annual Debt Service means the highest dollar amount of Annual Debt Service in any fiscal year or Base Period for all outstanding Parity Bonds and/or for all subordinate lien evidences of indebtedness secured by the Net Revenue, as the context requires.

Maximum Reserve Requirement means the maximum dollar amount permitted by the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder, to be allocated to a reserve account from tax-exempt bond proceeds without requiring a balance to be invested at a restricted yield.

Mayor means the duly appointed and acting Mayor of the City or the successor to the duties of that office.

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

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

Official Statement means the disclosure documents prepared and delivered in connection with the issuance of each series of Bonds.

Operations and Maintenance Costs means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition, including without limitation payments of premiums for insurance on the System; costs incurred in connection with the acquisition of water or the securing of water rights; payments to any public or private entity for water service, sewage treatment and disposal service or other utility service in the event that the City combines such service into the combined utility system and enters into a contract for such service, including pro-rata budget allocations or charges for the City's administration expenses where those represent a reasonable distribution and share of actual costs; and any State-imposed taxes; and Contract Resource Obligations, to the extent provided in Section 19 of this ordinance. Operations and Maintenance Costs shall exclude depreciation, taxes levied or imposed by the City, payments-in-lieu-of-taxes paid to the City, capital additions and capital replacements to the System.

Original Issue Discount Bonds mean Parity Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds in the ordinance authorizing their issuance.

Other Derivative Product means a payment agreement between the City and a counterparty permitted under chapter 39.96 RCW, as amended from time to time, or any successor statute, which is not a Parity Derivative Product.

Outstanding Parity Bonds mean, as of the date of this ordinance, the 2014 Bonds.

Parity Bonds mean the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

Parity Derivative Product means a payment agreement between the City and a counterparty satisfying the requirements of chapter 39.96 RCW, as amended from time to time, or any successor statute, obligating the City to make regularly scheduled payments to the counterparty on a parity with the payment of debt service on Parity Bonds.

Parity Requirement means Net Revenues equal to or greater than:

(a) 125% of Maximum Annual Debt Service for all Parity Bonds computed by deducting from Annual Debt Service the Annual Debt Service for each series or issue of Parity Bonds that is covered by ULID Assessments, and

(b) 100% of Maximum Annual Debt Service for all subordinate lien evidences of indebtedness secured by Net Revenue.

In determining the amount of Annual Debt Service "covered by ULID Assessments", Annual Debt Service for each future year is reduced by the dollar amount of ULID Assessments projected to be received during such future year, and the remaining outstanding ULID Assessments are assumed to be paid in the remaining number of annual installments with no prepayments.

Permitted Investments mean investments that are legal investments for the City at the time of such investment.

Principal and Interest Account means the account of that name created in the Bond Account for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

Rate Stabilization Account means the special fund of the City known as the "Waterworks Utility Rate Stabilization Account."

Rated Customer means a user of the System that is rated in one of the two highest Rating Categories by any Rating Agency throughout the entire applicable fiscal period of the City.

Rating Agency means any nationally recognized securities rating agency rating any of the Parity Bonds at the request of the City.

Record Date means the close of business for the Bond Registrar that is 15 days preceding any interest and/or principal payment or redemption date.

Refunded Bonds mean all or a portion of the Refunding Candidates designated by a Designated Representative for refunding pursuant to this ordinance.

Refunding Account means the account by that name established pursuant to Section 8 of this ordinance.

Refunding Candidates mean the 2014 Bonds maturing on or after December 1, 2025.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be the sole Registered Owner.

Reserve Account means the account of that name created in the Bond Account for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

Reserve Account Credit Facility means any bond insurance policy, surety bond, guaranty, letter of credit or other similar credit support facility deposited into (a) the Reserve Account to provide for or secure the payment of all or part of the principal of and interest on the Covered Bonds, or (b) any other reserve account created in the future to secure the payment of debt service on other Future Parity Bonds, in either case, issued by an institution which has been assigned a credit rating at the time of issuance of the facility in one of the two highest rating

categories of any Rating Agency (without regard to any gradations within a rating category).

Reserve Requirement means the dollar amount to be calculated with respect to all Covered Bonds and separately with respect to other Parity Bonds.

(a) With respect to Covered Bonds, the Reserve Requirement shall be equal to the least of:

(1) Maximum Annual Debt Service for Covered Bonds,

(2) 10% of the initial principal amount of Covered Bonds of each series, and

(3) 125% of average Annual Debt Service for Covered Bonds; provided, however, that the dollar amount required to be contributed, if any, as a result of the issuance of a series of Future Parity Bonds shall not be greater than the Maximum Reserve Requirement. If the dollar amount required to be contributed at the time of issuance of a series of Future Parity Bonds exceeds the Maximum Reserve Requirement, then the amount required to be contributed shall be equal to the Maximum Reserve Requirement.

(b) With respect to other series of Parity Bonds, the Reserve Requirement shall be equal to the amount, if any, specified in the ordinance authorizing the issuance of that series of Parity Bonds.

The Reserve Requirement shall be adjusted accordingly and remain in effect until the earlier of (i) at the City's option, a payment of principal of Parity Bonds or (ii) the issuance of a subsequent series of Future Parity Bonds (when the Reserve Requirement shall be recalculated).

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

Separate System means (a) the City's existing urban planned development water and wastewater system serving the Novelty Hill service area located outside the current City limits; and (b) any other water supply, sewage collection or treatment, stormwater or other utility service or facilities that may be created, acquired or constructed by the City as provided in Section 18 of this ordinance.

SIFMA Municipal Swap Index means The Securities Industry and Financial Markets Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., a Thompson Financial Services Company, or its successor, or as otherwise designated by The Securities Industry and Financial Markets Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc., a Thompson

Financial Services Company, or its successor, then "SIFMA Municipal Swap Index" shall mean such other reasonably comparable index selected by the City.

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

State means the State of Washington.

Stormwater Operations Fund means the Stormwater Operations Fund of the City.

System means, for so long as any of the Parity Bonds are outstanding: (a) the water supply and distribution system of the City, as it now exists and including all additions, betterments and extensions at any time made; (b) the sanitary sewage collection, treatment and disposal system of the City, as it now exists and including all additions, betterments and extensions at any time made; (c) any storm and surface water drainage system of the City, as it now exists and including all additions, betterments and extensions at any time made; and (d) any other system or utility, that may lawfully be combined with the foregoing. The System shall not include any Separate System of the City.

Taxable Bonds mean the Bonds of any series determined to be issued on a taxable basis pursuant to Section 15 of this ordinance.

Tax-Advantaged Bonds mean the Bonds of any series determined to be issued on a tax-advantaged basis pursuant to Section 15 of this ordinance.

Tax-Exempt Bonds mean the Bonds of any series determined to be issued on a tax-exempt basis pursuant to Section 15 of this ordinance.

Term Bonds mean Parity Bonds that are subject to mandatory redemption prior to their scheduled maturity date or dates.

2014 Bonds mean the City's Utility System Revenue Bonds, 2014, with a dated date of July 24, 2014, issued pursuant to the 2014 Parity Bond Ordinance as described in the recitals of this ordinance.

2014 Parity Bond Ordinance means the ordinance authorizing the issuance of the 2014 Bonds as described in the recitals of this ordinance.

ULID means utility local improvement district.

ULID Assessments mean the assessments levied in all ULIDs, the assessments in which are payable into the Bond Account, and shall include installments thereof and interest and any penalties thereon.

Underwriter means Piper Sandler & Co., or its successors.

Water & Wastewater Operations Fund means the Water & Wastewater Operations Fund of the City.

Waterworks Utility Operations Funds mean the Water & Wastewater Operations Fund and the Stormwater Operations Fund, which have been combined for borrowing purposes.

Section 2. Compliance with Parity Conditions. The 2014 Parity Bond Ordinance that authorized the issuance of the Outstanding Parity Bonds provides that the City may issue Future Parity Bonds upon compliance with certain conditions. The City Council hereby finds, as required by the 2014 Parity Bond Ordinance, as follows:

First, the Bonds are being issued for the purpose of refunding outstanding Parity Bonds;

Second, this ordinance provides that all ULID Assessments (including interest on those assessments) imposed in any ULID created for the purpose of paying in whole or in part the principal of and interest on the Bonds is to be paid directly into the Bond Account;

Third, this ordinance provides for the payment of the principal of and interest on the Bonds out of the Bond Account;

Fourth, the City is not in default with respect to any of its obligations under the 2014 Parity Bond Ordinance; and

Fifth, this ordinance provides for the deposit into the Reserve Account funds in the amount necessary to satisfy the Reserve Requirement upon the issuance of the Bonds.

Sixth, at the time of issuance of the Bonds the City shall have on file a certificate satisfying the parity requirements of the 2014 Parity Bond Ordinance.

The parity conditions contained in the 2014 Parity Bond Ordinance having been complied with or assured, the payments required in this ordinance to be made out of the Waterworks Utility Operations Funds into the Bond Account and the accounts held therein to pay and secure the payment of the principal of and interest on the Bonds shall constitute a lien and charge upon the money in such Waterworks Utility Operations Funds equal in rank with the lien and charge thereon for the payments required to be made into the Bond Account to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds.

Section 3. Authorization of Bonds and Bond Details. For the purpose of refunding and defeasing the Refunded Bonds, funding the Reserve Account, if necessary, and paying costs of issuance of the Bonds, the City shall issue and sell one or more series of its utility system revenue refunding bonds in the aggregate principal amount of not to exceed \$16,500,000 (the "Bonds").

The Bonds shall be designated "City of Redmond, Washington, Utility System Revenue Refunding Bonds, 2021" with any such series and additional designation as determined to be necessary by a Designated Representative; shall be dated as of their date of

delivery to the Underwriter; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, within a series and maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest from their date payable on the days and at the rates set forth in the Bond Purchase Contract; and shall mature on the dates and in the principal amounts set forth in such Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 15 of this ordinance.

Section 4. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The City shall cause a Bond Register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its designated office. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Director. No resignation or removal of the Bond

Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in this ordinance or the Continuing Disclosure Certificate), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(g), but such Bond may be transferred as herein provided. All such payments made as described in Section 4(g) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. The City has executed and delivered to DTC a Blanket

Issuer Letter of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully immobilized form by a depository, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) Use of Depository.

(1) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding

to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Finance Director pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds of a series, together with a written request on behalf of the Finance Director, issue a single new Bond for each maturity then outstanding, registered in the

name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository and no substitute depository can be obtained, or (B) the Finance Director determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain physical Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and such Bonds shall no longer be held by a depository. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds of a series together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar

with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to exchange any Bond during the period from the Record Date to the redemption or payment date.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other

capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30 day months. For so long as all Bonds are held by a depository, payments of principal and interest thereon shall be made to the Registered Owners as of the Record Date as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held by a depository, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least by the Record Date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date,

then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it is paid.

Section 5. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Mandatory Redemption of Term Bonds and Optional Redemption, if any.* Each series of Bonds shall be subject to optional redemption to the extent, if any, on the dates, at the prices and under the terms set forth in the Bond Purchase Contract approved by a Designated Representative pursuant to Section 15 of this ordinance. Each series of Bonds shall be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract and as approved by a Designated Representative pursuant to Section 15 of this ordinance.

(b) *Purchase of Bonds.* The City reserves the right to purchase any of the Bonds offered to it at any time at a price deemed reasonable by the Finance Director.

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a series and maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in

the following provisions of this subsection (c). If the City redeems at any one time fewer than all of the Bonds having the same maturity date within a series, the particular Bonds or portions of Bonds of such series and maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond of such series and maturity as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond of such series and maturity by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity, series, and interest rate in any of the denominations herein authorized. Notwithstanding the foregoing, the selection of particular Bonds of a series and maturity may be redeemed as provided in the Bond Purchase Contract.

(d) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held in uncertificated form, notice of redemption (which notice may be

conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

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

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the

case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(E) any conditions to redemption, and

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

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected registered owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) Effect of Notice; Bonds Due. If notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Bond Registrar then holds sufficient funds to pay such Bonds at the redemption price, then from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

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

Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the series and maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to the Continuing Disclosure Certificate and to the Underwriter and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this Section 5 of this ordinance, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Form of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference.

Section 7. Execution of Bonds. The Bonds of each series shall be executed on behalf of the City with the manual or

facsimile signatures of the Mayor and City Clerk of the City, and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form set forth in Exhibit A, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

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

Section 8. Application of Bond Proceeds; Plan of Refunding.

(a) *Application of Bond Proceeds.* Proceeds of the Bonds, net of any underwriter's discount or compensation, shall be disbursed as follows:

(1) The amount necessary to carry out the plan of refunding for the 2014 Bonds that are selected for refunding and designated as Refunded Bonds shall be transferred to the Escrow Agent and used as provided herein and in the Escrow Agreement;

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

(3) The remaining proceeds of the Bonds shall be transferred to the Escrow Agent or deposited with the City and used to pay costs of issuance of the Bonds as set forth in the closing memorandum prepared in connection with the issuance of the Bonds.

Any part of the proceeds of the Bonds remaining after such disbursements are made may be transferred to the Bond Account.

(b) *Refunding Plan.* For the purpose of realizing a debt service savings, the City proposes to apply proceeds of the Bonds to defease and refund the Refunded Bonds as set forth herein. If a Designated Representative determines that it is in the best

interest of the City to proceed with the refunding authorized herein, a Designated Representative shall designate all or a portion of the Refunding Candidates as Refunded Bonds and such designation shall be set forth in the Bond Purchase Contract. A portion of the proceeds of Bonds shall be deposited with the Escrow Agent pursuant to the Escrow Agreement to be used immediately upon receipt thereof to defease the Refunded Bonds as authorized by the 2014 Parity Bond Ordinance and to pay costs of issuance of the Bonds, as applicable.

The net proceeds deposited with the Escrow Agent shall be used to defease the Refunded Bonds and discharge the obligations thereon by maintaining the net proceeds in cash or by the purchase of certain Government Obligations (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

(1) interest on the Refunded Bonds as such becomes due on and prior to the selected Call Date; and

(2) the redemption price (100% of the principal amount) of the Refunded Bonds on the selected Call Date.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations

relating to acquired obligations in connection with refunding bond issues.

(b) *Escrow Agent/Escrow Agreement.* The Designated Representatives are hereby authorized to appoint an escrow agent for the Refunded Bonds (the "Escrow Agent"). A beginning cash balance, if any, and the Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of the applicable series of Bonds remaining after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and costs of issuance of such Bonds.

In order to carry out the purposes of this section, the Finance Director is authorized and directed to execute and deliver the Escrow Agreement to the Escrow Agent.

(c) *Call for Redemption of Refunded Bonds.* The City is hereby authorized to irrevocably set aside sufficient funds out of the purchase of Acquired Obligations from proceeds of each series of Bonds to make the payments described above.

The City is hereby authorized to irrevocably call the Refunded Bonds for redemption on the applicable Call Date in accordance with the 2014 Parity Bond Ordinance authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the issuance of each series of Bonds and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notices of defeasance and/or redemption of the Refunded Bonds in accordance with the 2014 Parity Bond Ordinance. The costs of publication of such notices shall be an expense of the City.

The Escrow Agent is hereby authorized and directed to pay to the Finance Director, or, at the direction of the Finance Director, to the paying agent for the Refunded Bonds, sums sufficient to pay, when due, the payments specified in this section. All such sums shall be paid from the moneys and Acquired Obligations deposited with the Escrow Agent, and the income therefrom and proceeds thereof. All such sums so paid to or to the order of the Finance Director shall be credited to the Refunding Account hereby authorized to be created by the City. All moneys and Acquired Obligations deposited with the Escrow Agent and any income therefrom shall be held, invested (but only at the direction of the Finance Director) and applied in accordance with the provisions of this ordinance and with the laws of the State for the benefit of the City and owners of the Refunded Bonds.

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

Section 9. Payments into Bond Account. There has been previously created and established a special fund of the City known as the "Waterworks Utility Revenue Bond Account" (the "Bond Account"). The Bond Account is divided into two sub-accounts, a Principal and Interest Account and a Reserve Account.

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

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

(2) Into the Reserve Account at least annually an amount that, together with other money and Reserve Account Credit

Facilities on deposit therein, will equal the Reserve Requirement for all Covered Bonds.

(b) The Reserve Account has been established in the Bond Account to serve as a common reserve securing the repayment of the Covered Bonds. The Outstanding Parity Bonds and the Bonds are Covered Bonds.

On the date of issue of the Bonds, the City shall deposit available funds of the City into the Reserve Account to satisfy, together with funds currently on deposit therein, the Reserve Requirement for all Covered Bonds as of the date of issue of the Bonds.

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

to pay all outstanding Covered Bonds and the Reserve Requirement as to those outstanding Covered Bonds is met, excess money in the Bond Account may be used for any System purpose.

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

(c) All money in the Bond Account may be kept in cash; deposited with an institution (as permitted by law) in an amount in each institution not greater than the amount insured by any department or agency of the United States Government; or invested in Permitted Investments or other legal investments permitted to the City maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding Covered Bonds (for investments in the Reserve Account). Income from investments in the Principal and Interest Account shall be deposited in that account. Income from investments in the Reserve Account shall be deposited in that

account until the amount therein is equal to the Reserve Requirements of all Covered Bonds, and thereafter shall be deposited in the Principal and Interest Account.

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

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

If the City fails to set aside and pay into the Bond Account the amounts set forth above, the owner of any of the outstanding Parity Bonds may bring action against the City and compel the setting aside and payment.

Section 10. Rate Stabilization Account. There has been previously created and established a special fund of the City known as the "Waterworks Utility Rate Stabilization Account." The City may at any time, as determined by the Finance Director and

consistent with this ordinance, deposit into the Rate Stabilization Account amounts from Gross Revenue and any other money received by the System and available to be used for that purpose, excluding principal proceeds of any Future Parity Bonds. The Finance Director may at any time withdraw money from the Rate Stabilization Account for inclusion in the Net Revenue for the current fiscal year of the System. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Net Revenue.

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

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

Section 11. Finding as to Sufficiency of Revenue, Pledge of Revenue and Lien Position. The City Council finds and determines that the Gross Revenue and benefits to be derived from

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

Section 12. Covenants. The City covenants and agrees with the owner of each of the Bonds as follows:

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

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

(c) It will collect promptly all ULID Assessments, which shall be deposited into the Bond Account and shall be used to pay and secure the payment of the principal of and interest on the Parity Bonds. Such assessments may be used to pay the principal or interest on any Parity Bonds without those assessments being particularly allocated to the payment of principal of or interest on any particular series of Parity Bonds. Nothing in this ordinance or this section shall be construed to prohibit the City from issuing water, sewer or water and sewer revenue bonds junior in lien to the Parity Bonds and pledging as security for their payment assessments levied in any ULID which may have been specifically created to pay part of the cost of improvements to the System for which those junior lien bonds were specifically issued.

(d) It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the System unless provision is made for payment into the Bond Account of a sum sufficient to pay the principal of and interest on all outstanding Parity Bonds. Furthermore, it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the System that is used, useful and material to its operation, unless provision is made (a) for the replacement of that portion of the System, or (b) for the payment into the Bond Account of an

amount bearing the same ratio to the par amount of outstanding Parity Bonds as the amount of Net Revenue available for debt service derived during the preceding 12-month period from that portion of the System bears to the total Net Revenue available for debt service for such bonds for the same period. Any such money so paid into the Bond Account shall be used to retire outstanding Parity Bonds at the earliest possible date and may be invested to the same extent and in the same manner as provided for the investment of money in the Reserve Account until so used.

(e) While any of the Parity Bonds remain outstanding it will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System, and it will furnish the owner or owners of the Parity Bonds or any subsequent owner or owners thereof, at the written request of such owner or owners, complete operating and income statements of the System in reasonable detail covering any fiscal year. It will grant any owner or owners of at least twenty-five percent of the outstanding Parity Bonds the right at all reasonable times to inspect the entire System and all records, accounts and data relating thereto, and upon request of any owner of any of the Parity Bonds a copy of the most recently completed audit of the System accounts by the State Auditor of Washington.

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

(g) It will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the System as are ordinarily carried on such buildings, equipment, facilities, and properties by utilities engaged in the operation of similar utility systems to the full insurable value thereof, and also will carry adequate public liability insurance (and war risk insurance if available at reasonable rates) at all times. The premiums on such insurance policies are declared to be a normal part of Operations and Maintenance Costs.

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

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

covenants and requirements of this ordinance, including the Coverage Requirement.

(j) Except as provided in Section 16, the City will not create any special fund or funds for the payment of the principal of and interest on any other revenue obligations which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Net Revenue and ULID Assessments, nor will it issue Parity Bonds except as permitted pursuant to Section 16 hereof.

Section 13. Tax Covenants. The City will take all actions necessary to assure the tax-advantaged status on Tax-Advantaged Bonds, and/or exclusion of interest on the Tax-Exempt Bonds from the gross income of the owners of the Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Tax-Advantaged or Tax-Exempt Bonds, including but not limited to the following to the extent applicable:

(a) *Private Activity Bond Limitation.* The City will assure that the proceeds of the Tax-Exempt Bonds are not so used as to cause the Tax-Exempt Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) *Limitations on Disposition of Project.* The City will not sell or otherwise transfer or dispose of (i) any personal property components of the projects refinanced with proceeds of the Tax-Exempt Bonds (the "Tax Exempt Projects") other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4) or (ii) any real property components of the Tax-Exempt Projects, unless it has received an opinion of Bond Counsel to the effect that such disposition will not adversely affect the treatment of interest on the Tax-Exempt Bonds as excludable from gross income for federal income tax purposes, as applicable.

(c) *Federal Guarantee Prohibition.* The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Tax-Exempt Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) *Rebate Requirement.* The City will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section applies to the Tax-Exempt Bonds.

(e) *No Arbitrage.* The City will not take, or permit or suffer to be taken, any action concerning the proceeds of the Tax-Exempt

Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(f) *Registration Covenant.* The City will maintain a system for recording the ownership of each Tax-Exempt Bond that complies with the provisions of Section 149 of the Code until all Tax-Exempt Bonds have been surrendered and canceled.

(g) *Record Retention.* The City will retain its records of all accounting and monitoring it carries out with respect to the Tax-Exempt Bonds for at least three years after the Tax-Exempt Bonds mature or are redeemed (whichever is earlier); however, if the Tax-Exempt Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Tax-Exempt Bonds.

(h) *Compliance with Federal Tax Certificates.* In the event the City issues one or more series of Tax-Advantaged Bonds eligible for federal tax credits, a federal interest subsidy, or other subsidy, the City will comply with the provisions of the Federal Tax Certificate setting forth or incorporating applicable requirements.

The City will comply with the provisions of the Federal Tax Certificate with respect to the applicable Tax-Exempt Bonds or Tax-Advantaged Bonds, which are incorporated herein as if fully set forth herein. In the event of any conflict between this section and the Tax Certificate, the provisions of the Tax Certificate will prevail. Additional tax covenants as necessary or desirable for any series of Bonds may be set forth in the Tax Certificate for that series of Bonds.

The covenants of this section will survive the payment in full or defeasance of the applicable Tax-Exempt Bonds or Tax-Advantaged Bonds.

Section 14. Refunding or Defeasance of Parity Bonds. The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and interest on any Parity Bonds, or any portion thereof included in a refunding or defeasance plan (the "Defeased Bonds"), and to redeem and retire, refund or defease such Defeased Bonds and to pay the costs of such refunding or defeasance.

If the City deposits irrevocably with an escrow agent money and/or Government Obligations sufficient in amount, together with the earnings thereon, to pay the principal of and premium, if any, on such Defeased Bonds, together with all interest accruing thereon

to the due date or redemption date, and pays or makes provision for payment of all fees, costs and expenses of that escrow agent due or to become due with respect to the Defeased Bonds, all liability of the System with respect to the Defeased Bonds shall cease, the Defeased Bonds shall be deemed not to be outstanding hereunder and the Registered Owners of the Defeased Bonds shall be restricted exclusively to the money or Government Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to the Defeased Bonds, and that escrow agent shall hold such money, Government Obligations and earnings in trust exclusively for those Registered Owners and such money, Government Obligations and earnings shall not secure any other Parity Bonds under this ordinance. After establishing such an escrow account, the City may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other Parity Bonds then outstanding. Defeased Bonds shall be excluded from computation of the Coverage Requirement and other covenants under this ordinance.

The City shall give written notice of defeasance to the Registered Owner(s) of the Bonds and to each party entitled to

receive notice in accordance with the Continuing Disclosure Certificate.

Section 15. Sale of Bonds.

(a) *Bond Sale.* The Bonds of each series shall be sold by negotiated sale to the Underwriter pursuant to the terms of the Bond Purchase Contract executed in connection with the issuance of such series of Bonds. The Council has determined that it would be in the best interest of the City to delegate to the Designated Representatives for a limited time the authority to approve the selection of Refunded Bonds (if any) to be refunded with proceeds of a series of Bonds; to approve the final interest rates, aggregate principal amount, principal amounts of each maturity, and redemption rights for each series of Bonds; to determine whether such series of Bonds will be issued and sold as Tax-Advantaged Bonds, Tax-Exempt Bonds or Taxable Bonds; and to determine whether such series of Bonds will be designated as Covered Bonds.

Subject to the terms and conditions set forth in this Section 15, each Designated Representative is hereby authorized to enter into a Bond Purchase Contract with the Underwriter to issue and sell the Bonds of each series upon the Designated Representative's approval of the final interest rates, maturity dates, aggregate principal amounts, principal maturities, and redemption rights set

forth therein for the Bonds in accordance with the authority granted by this section so long as the aggregate principal amount of the Bonds does not exceed \$16,500,000 and:

(1) the final maturity date for each series of Bonds is no later than December 1, 2034;

(2) the aggregate purchase price for the Bonds of a series shall not be less than 98% and not greater than 130% of the aggregate stated principal amount of the Bonds, excluding any original issue discount;

(3) the interest rate for each series of Bonds does not exceed 5.00%.

(4) the true interest cost for each series of Bonds issued as Tax-Exempt Bonds (in the aggregate) does not exceed 2.75%;

(5) the true interest cost for each series of Bonds issued as Taxable Bonds or Tax-Advantaged Bonds (in the aggregate) does not exceed 2.75%;

(6) the Bonds are sold for a price that results in a minimum aggregate net present value debt service savings over the Refunded Bonds to be refunded of at least 4.00%; and

(7) the Bonds conform to all other terms of this ordinance.

Subject to the terms and conditions set forth in this section, each Designated Representative is hereby authorized to execute the

Bond Purchase Contract. The signature of one Designated Representative shall be sufficient to bind the City.

Following the execution of a Bond Purchase Contract, a Designated Representative shall provide a report to the Council describing the final terms of the applicable series of Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this section shall expire on February 1, 2022. If a Bond Purchase Contract for the Bonds has not been executed by such date, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a bond purchase contract or establishing terms and conditions for the authority delegated under this section.

(b) *Delivery of Bonds; Documentation.* Following the passage and approval of this ordinance and upon execution of a Bond Purchase Contract, the proper officials of the City, including the Finance Director, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates

and documents required to effect the closing and delivery of the Bonds in accordance with the terms of this ordinance and the Bond Purchase Contract.

Section 16. Future Parity Bonds; Subordinate Lien Obligations.

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

(1) The ordinance providing for the issuance of such Future Parity Bonds must provide that all ULID Assessments (including interest on those assessments) imposed in any ULID created for the purpose of paying in whole or in part the principal of and interest on such Future Parity Bonds is to be paid directly into the Bond Account;

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

(3) The City shall not be in default with respect to any of its obligations under this ordinance or any ordinance authorizing any then-outstanding Parity Bonds.

(4) The applicable ordinance authorizing those Future Parity Bonds must provide for the deposit into the Reserve Account

(in the case of Covered Bonds) or any other applicable reserve account of any combination of Future Parity Bond proceeds, Reserve Account Credit Facilities or other money legally available, in the amount necessary (if any) to make the amount on deposit in the Reserve Account or other applicable reserve account equal to the applicable Reserve Requirement upon the issuance of those Future Parity Bonds.

(5) Except as provided in Section 16(b) hereof, there shall be on file with the City a certificate (prepared as described in Section 16(c) or Section 16(d) hereof) demonstrating fulfillment of the Parity Requirement, commencing with the first full fiscal year following the date on which any portion of interest on the series of Future Parity Bonds then being issued no longer will be paid from the proceeds of such series of Future Parity Bonds.

(b) The certificate described in Section 16(a)(5) hereof shall not be required as a condition to the issuance of Future Parity Bonds:

(1) If the Future Parity Bonds being issued are for the purpose of refunding outstanding Parity Bonds (including incidental costs and costs related to the sale and issuance thereof and providing for any applicable Reserve Requirement); or

(2) If the Future Parity Bonds are being issued to pay costs of construction of facilities of the System for which Future Parity Bonds have been issued previously and the principal amount of such Future Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Parity Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a certificate of the Finance Director, and there is delivered a written certificate of the Mayor stating that the nature and purpose of such facilities has not materially changed.

(c) If required pursuant to Section 16(a)(5) hereof, a certificate may be delivered by the City (executed by the Finance Director) without an Independent Utility Consultant if Net Revenues for the Base Period (confirmed by an audit) demonstrate that the Parity Requirement will be fulfilled commencing with the first full fiscal year following the date on which any portion of interest on the series of Future Parity Bonds then being issued will not be paid from the proceeds of such series of Future Parity Bonds.

(d) Unless compliance with the requirements of Section 16(a)(5) hereof have been satisfied as provided in Section 16(c) hereof, compliance with the Parity Requirement shall be

demonstrated conclusively by a certificate of an Independent Utility Consultant.

In making the computations of Net Revenues for the purpose of certifying compliance with the Parity Requirement, the Independent Utility Consultant shall use as a basis the Net Revenues (which may be based upon unaudited financial statements of the City if the applicable audit has not yet been completed) for the Base Period. Such Net Revenues shall be determined by adding the following:

(1) The historical net revenue of the System for the Base Period being issued as determined by an Independent Utility Consultant.

(2) The net revenue derived from those customers of the System that have become customers during such 12-month period or thereafter and prior to the date of such certificate, adjusted to reflect a full year's net revenue from each such customer to the extent such net revenue was not included as described in Section 16(d) (1) hereof.

(3) The estimated annual net revenue to be derived from any person, firm, association, private or municipal corporation under any executed contract for service, which net revenue was not included in any of the sources of net revenue described in this Section 16(d).

(4) The estimated annual net revenue to be derived from the operation of any additions or improvements to or extensions of the System under construction but not completed at the time of such certificate and not being paid for out of the proceeds of sale of such Future Parity Bonds being issued, and which net revenue is not otherwise included in any of the sources of net revenue described in this Section 16(d).

(5) The estimated annual net revenue to be derived from the operation of any additions and improvements to or extensions of the System being paid for out of the proceeds of sale of such Future Parity Bonds being issued.

(6) Transfers into or out of the Rate Stabilization Account pursuant to Section 10 hereof may be taken into account, and those amounts may be added to or deducted from Net Revenues, as applicable.

In the event the System will not derive any revenue as a result of the construction of the additions, improvements or extensions being made or to be made to the System within the provisions of Sections 16(d)(4) and 16(d)(5) hereof, the estimated normal Operations and Maintenance Costs (excluding any transfer of money to other funds of the City and license fees, taxes and payments in lieu of taxes payable to the City) of such additions,

improvements and extensions shall be deducted from estimated annual net revenue.

The words "historical net revenue" or "net revenue" as used in this Section 16(d) shall mean the Gross Revenue or any part or parts thereof less the normal expenses of maintenance and operation of the System or any part or parts thereof, but before depreciation.

Such "historical net revenue" or "net revenue" shall be adjusted to reflect the rates and charges effective on the date of such certificate if there has been any change in such rates and charges during or after such 12-consecutive-month period.

(e) Nothing contained in this Section 16 shall prevent the City from issuing revenue bonds or other obligations which are a charge upon the Net Revenue of the System junior or inferior to the payments required by this ordinance to be made out of such Net Revenue to pay and secure the payment of any outstanding Parity Bonds. Such junior or inferior obligations shall not be subject to acceleration. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations or to prohibit the payment of a termination amount with respect to an Other Derivative Product or a Parity Derivative Product.

(f) Nothing contained in this Section 16 shall prevent the City from issuing revenue bonds to refund maturing Parity Bonds for the payment of which moneys are not otherwise available.

Section 17. Derivative Products. The City hereby reserves the right to enter into Parity Derivative Products and Other Derivative Products. The City may amend this ordinance to accommodate new or modified definitions of Debt Service in connection with a Parity Derivative Product, to implement the City's intent that regularly scheduled payments made by or received by the City in connection with a Parity Derivative Product be added to or deducted from, respectively, Debt Service on such Parity Bonds. The City may amend this ordinance to reflect the lien position and priority of any payments made in connection with a Parity Derivative Product or Other Derivative Product; provided, however, that any lien to secure regularly scheduled payments made in connection with a Parity Derivative Product may not be prior to the lien of the Parity Bonds and that any lien to secure any other payments under Parity Derivative Products and all payments under any Other Derivative Products must be subordinate to the lien of Parity Bonds. If the City enters into a Parity Derivative Product, the City shall not be required to satisfy the conditions set forth in Section 16 of this ordinance with respect to the Parity Derivative Product provided that the conditions set forth in

Section 16 of this ordinance are satisfied with respect to the associated Parity Bonds. Each Parity Derivative Product shall set forth the manner in which the City's and its counterparty's payments are to be calculated and a schedule of payment dates.

Section 18. Separate Utility Systems. The City may create, acquire, construct, finance, own and operate one or more additional systems for water supply, sewer service, water, sewage or stormwater transmission, treatment or other commodity or utility service. The revenue of that Separate System, and any ULID Assessments payable solely with respect to improvements to a Separate System, shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate System. Neither the Gross Revenue nor the Net Revenue may be pledged to the payment of any obligations of a separate utility Separate System except that the Net Revenue may be pledged on a basis subordinate to the lien of the Parity Bonds.

Section 19. Contract Resource Obligations. The City may at any time enter into one or more contracts or other obligations for the acquisition, from facilities to be constructed, of water, sewer or storm water supply, transmission, treatment or other commodity or service relating to the System. The City may determine that such contract or other obligation is a Contract

Resource Obligation, and may provide that all payments under that Contract Resource Obligation (including payments prior to the time that water, sewer or storm water supply, transmission, treatment or other commodity or service is being provided, or during a suspension or after termination of supply or service) shall be Operation and Maintenance Expenses if the following requirements are met at the time such Contract Resource Obligation is entered into:

(a) The City shall not be in default with respect to any of its obligations under this ordinance or the ordinances authorizing the then-outstanding Parity Bonds.

(b) There shall be on file a certificate of an Independent Utility Consultant stating that (1) the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the supply, transmission, treatment or other service rendered; (2) the source of any new supply, and any facilities to be constructed to provide the supply, transmission, treatment or other service, are sound from a water, sewer or storm water or other commodity supply or transmission planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide supply or transmission or other service no later than a date set forth in the Independent Utility Consultant's certification; and

(3) the Net Revenue computed in the manner described in Section 16 of this ordinance (further adjusted by the Independent Utility Consultant's estimate of the payments to be made in accordance with the Contract Resource Obligation) for the five fiscal years following the year in which the Contract Resource Obligation is incurred, as such Net Revenue is estimated by the Independent Utility Consultant (with such estimate based on such factors as he or she considers reasonable), will be at least equal to 1.20 times the Annual Debt Service (after deducting ULID Assessments allocated to the years in which they would be received if the unpaid balance of each ULID 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 ULID Assessment roll).

Payments required to be made under Contract Resource Obligations shall not be subject to acceleration.

Nothing in this Section 19 shall be deemed to prevent the City from entering into other agreements for the acquisition of water supply, transmission, treatment or other commodity or service from existing facilities and from treating those payments as Operation and Maintenance Expenses of the System so long as such service is actually being supplied. Nothing in this Section 19 shall be deemed to prevent the City from entering into

other agreements for the acquisition of water, sewer or storm water supply, transmission, treatment or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Net Revenue subordinate to that of Parity Bonds.

Section 20. Flow of Funds. The Net Revenue shall be used for the following purposes only and shall be applied in the following order of priority:

(a) To make when due the required payments into the Principal and Interest Account in respect of interest on the Parity Bonds and, without duplication, to make regularly scheduled payments due with respect to any Parity Derivative Product.

(b) To make when due the required payments into the Principal and Interest Account in respect of principal of and premium, if any, on the Parity Bonds, whether at maturity or pursuant to redemption prior to maturity, and to make payments due under any reimbursement agreement with a provider of a Credit Facility for any Parity Bonds that requires those payments to be made on a parity with the Parity Bonds.

(c) To make when due all payments required to be made into the Reserve Account for the Covered Bonds, all payments required to be made into any other reserve account created in the future to secure the payment of debt service on other Future Parity Bonds,

and all payments required to be made under any reimbursement agreement with a provider of a Reserve Account Credit Facility that requires those payments to be made on a parity with the payments required to be made into the Reserve Account or such other reserve account created in the future to secure the payment of debt service on other Future Parity Bonds.

(d) To make when due all payments required to be made under any reimbursement agreement with a provider of a Credit Facility for any Parity Bonds other than payments to be made on a parity with the Parity Bonds, and all payments required to be made under any reimbursement agreement with a provider of a Reserve Account Credit Facility other than payments to be made on a parity with the payments to be made into the Reserve Account or such other reserve account created in the future to secure the payment of debt service on other Future Parity Bonds, in any priority not inconsistent with this ordinance that the City may hereafter establish by ordinance.

(e) To make when due the payments required to be made into any revenue bond, note, warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay and secure the payment of any revenue bonds, warrants, notes or other obligations of the System having a charge upon the Net Revenue junior and inferior to the charge thereon for the payment

of the principal of and premium (if any), and interest on the Parity Bonds, or under any reimbursement agreement with a provider of a Credit Facility or reserve account credit facility therefor, and all regularly scheduled payments due pursuant to an Other Derivative Product, as set forth in such Other Derivative Product, in any priority not inconsistent with this ordinance, that the City may hereafter establish by ordinance.

(f) To make when due all nonscheduled payments (i.e., any termination payment or other fees) under any Parity Derivative Product as set forth in such Parity Derivative Product and under any Other Derivative Product as set forth in such Other Derivative Product, and for any other lawful System purposes, in any priority not inconsistent with this ordinance, that the City may hereafter establish by ordinance.

Section 21. Supplemental Ordinances.

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

(b) The City may from time to time and at any time, without the consent of or notice to the registered owners of the Parity Bonds, pass supplemental ordinances for any one or more of the following purposes:

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

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

(3) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this ordinance as previously in effect;

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

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

(6) To authorize the issuance of any (A) Future Parity Bonds, (B) revenue bonds or other obligations which are a charge upon the Net Revenue of the System junior or inferior to the payments required by this ordinance to be made out of such Net Revenue to pay and secure the payment of any outstanding Parity Bonds, or (C) revenue bonds to refund maturing Parity Bonds for the payment of which moneys are not otherwise available, in each case, to the extent permitted by this ordinance; or

(7) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the registered owners of the Bonds and which does not involve a change described in Section 21(c) hereof.

Before any supplemental ordinance described in this Section 21(b) shall become effective, there shall be delivered to the City and the Bond Registrar an opinion of Bond Counsel, stating that such supplemental ordinance is authorized or permitted by this ordinance and will, upon its effective date, be valid and binding upon the City in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.

(c) (1) Except for any supplemental ordinance passed pursuant to Section 21(b) hereof, subject to the terms and provisions contained in this Section 21(c) and not otherwise,

registered owners of not less than a majority of the aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve the passage by the City Council of any supplemental ordinance deemed necessary or desirable by the City for the purposes modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance.

However, unless approved in writing by each registered owner of each Parity Bond then outstanding, nothing contained in this Section 21 shall permit, or be construed as permitting:

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

(B) A preference or priority of any Bond or Bonds over any other Bond or Bonds, or

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

(2) If at any time the City shall pass any supplemental ordinance for any of the purposes of this Section 21(c), the Bond Registrar shall cause notice of the proposed supplemental ordinance to be given by first class United States mail to all registered owners of the then outstanding Parity Bonds, to each Rating Agency that has provided a rating on an issue of the Parity Bonds. Such notice shall briefly set forth the nature of the proposed supplemental ordinance and shall state that a copy thereof is on file at the office of the Bond Registrar for inspection by all registered owners.

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

(4) If the registered owners of not less than the percentage of Parity Bonds required by this subsection (c) have

consented to and approved the execution and delivery thereof as herein provided, no owner of the Parity Bonds shall have any right to object to the passage of such supplemental ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City or the Bond Registrar from passing the same or from taking any action pursuant to the provisions thereof.

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

Section 22. Preliminary and Final Official Statements. The Finance Director is hereby authorized to deem final the preliminary Official Statement relating to the Bonds for the purposes of the Rule. The Finance Director is further authorized to approve for purposes of the Rule, on behalf of the City, the final Official Statement relating to the issuance and sale of the Bonds and the

distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

Section 23. Undertaking to Provide Ongoing Disclosure. The City covenants to execute and deliver at the time of Closing of the Bonds a Continuing Disclosure Certificate. The Designated Representatives are hereby authorized to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery, and sale of the Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the City.

Section 24. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like date, series, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon his/her filing with the City evidence satisfactory to the City that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City and/or the Bond Registrar with indemnity satisfactory to the City and the Bond Registrar.

Section 25. Severability; Ratification. 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. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 26. Corrections by Clerk. Upon approval of the City Attorney and Bond Counsel, and without further action of the Council, the Clerk is hereby authorized to make necessary corrections to this ordinance, including but not limited to the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; ordinance numbering and section/subsection numbering; and other similar necessary corrections.

Section 27. Effective Date. This ordinance shall take effect from and after its passage and five days following its publication as required by law.

Adopted by the Redmond City Council at a regular meeting
thereof held this 17th of August, 2021.

CITY OF REDMOND

By _____
Angela Birney, Mayor

ATTEST

Cheryl Xanthos,
City Clerk

APPROVED AS TO FORM:

FILED WITH THE CITY CLERK: _____
PASSED BY THE CITY COUNCIL: _____
SIGNED BY THE CITY MAYOR: _____
PUBLISHED: _____
EFFECTIVE DATE: _____
ORDINANCE NO. _____

EXHIBIT A
FORM OF BOND
[DTC LANGUAGE]
UNITED STATES OF AMERICA

NO. _____ \$ _____

STATE OF WASHINGTON
CITY OF REDMOND
UTILITY SYSTEM REVENUE REFUNDING BOND, 2021

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

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ Dollars

The City of Redmond, Washington (the "City"), a municipal corporation of the State of Washington, for value received hereby promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above, and to pay interest thereon from the date hereof, or the most recent date to which interest has been paid or duly provided for, at the Interest Rate set forth above payable on the first days of each _____ and _____, commencing on _____.

Both principal of and interest on this bond are payable in lawful money of the United States of America. Interest and principal shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") by the City to The Depository Trust Company ("DTC"). The fiscal agency of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Bond Registrar"). Capitalized terms used in this bond that are not specifically defined have the meanings given such terms in Ordinance No. _____ of the City adopted on _____, 2021 (the "Bond Ordinance"). Reference is made to the Bond Ordinance and any and all modifications and amendments thereto for a description of the nature and extent of the security for the bonds of this issue, the funds or revenues pledged, and the terms and conditions upon which such bonds are issued.

This bond is one of a series of bonds in the aggregate principal amount of \$_____ (the "Bonds"), issued pursuant to the Bond Ordinance, to pay the cost of defeasing and refunding certain utility system revenue bonds of the City, to fund the Reserve Account, and to pay costs of issuance for the Bonds.

The principal of and interest on the Bonds are payable solely out of the special fund of the City known as the "Waterworks Utility Revenue Bond Account" (the "Bond Account"). The Bonds are special limited obligations of the City and are not obligations of the State of Washington or any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City or the State of Washington is pledged to the payment of the Bonds.

Under the Bond Ordinance, the City is obligated to set aside and pay into the Principal and Interest Account out of Gross Revenue certain fixed amounts sufficient to pay when due the principal of and interest and premium, if any, on the Bonds and all other Parity Bonds. To the extent provided by the Bond Ordinance, the amounts pledged to be paid from Gross Revenue into the Bond Account and accounts therein are a lien and charge thereon equal in rank to the lien and charge upon Gross Revenue of the amounts required to pay and secure the payment of the Outstanding Parity Bonds and any Future Parity Bonds that the City may issue hereafter, and superior to all other liens and charges of any kind or nature, except the Operations and Maintenance Costs of the System.

The Bond Ordinance sets forth covenants of the City to secure the payment of Parity Bonds, including but not limited to covenants relating to rates and charges of the System, operations of the System, and the issuance of Future Parity Bonds.

The Bonds are subject to redemption prior to maturity as provided in the Bond Purchase Contract. The Bonds may be transferred and exchanged upon surrender to the Bond Registrar as provided in the Bond Ordinance.

The Bonds are not "private activity bonds" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

This bond will not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond

Ordinance until the Certificate of Authentication hereon has been manually signed by the Bond Registrar.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the state of Washington to exist, to have happened and to have been performed precedent to and in the issuance of this bond do exist, have happened and have been performed in due time, form and manner as prescribed by law.

IN WITNESS WHEREOF, the City of Redmond, Washington has caused this bond to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City imprinted, impressed or otherwise reproduced hereon as of this ____ day of _____, 2021.

[SEAL]

CITY OF REDMOND, WASHINGTON

By /s/ manual or facsimile
Mayor

ATTEST:

 /s/ manual or facsimile
City Clerk

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____, 20____

This is one of the Utility System Revenue Refunding Bonds, 2021 of the City of Redmond, Washington, dated _____, 20__.

WASHINGTON STATE FISCAL
AGENT, as Registrar

By _____
Authorized Signer

CERTIFICATE

I, the undersigned, City Clerk of the City of Redmond, Washington (the "City") and keeper of the records of the City Council (the "City Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance is a true and correct copy of Ordinance No. ____ of the City Council (the "Ordinance"), duly passed at a regular meeting thereof held on the 17th day of August, 2021.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, including but not limited to Washington State Governor Inslee's emergency proclamation No. 20-28 issued on March 24, 2020, as amended and supplemented, temporarily suspending portions of the Open Public Meetings Act (chapter 42.30 RCW); that due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the City Council voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of the Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

3. That Ordinance No. _____ has not been amended, supplemented, or rescinded since its passage and is in full force and effect, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2021.

City Clerk