CITY OF EDMONDS, WASHINGTON

ORDINANCE NO. 3837

AN ORDINANCE of the City of Edmonds, Washington, relating to contracting indebtedness; providing for the issuance of limited tax general obligation bonds and revenue bonds to provide the funds necessary to carry out a refunding of all or a portion of certain outstanding general obligation bonds and revenue bonds of the City and to pay the administrative costs of such refundings and the costs of issuance and sale of the bonds; fixing certain terms and covenants of the bonds; and providing for the public sale of the bonds.

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

Section 1. Findings and Determinations. In order to provide a cost savings for the City, the City Council finds and determines it to be in the best interest of the City to authorize the issuance and sale of bonds for the purposes of carrying out the refunding of all or a portion of the following bonds (the "Refunded Bonds") and to pay the costs of issuance of the Bonds:

Bond Issue	Call Date	Callable Maturities	Interest Rates	Par Amount
1998 Limited Tax General Obligation Bonds	12/1/08	2011 – 2014	4.25 – 4.4%	$1,795,000
1998 Water & Sewer Revenue Bonds	12/1/07	2011 – 2013	4.7 – 4.85%	825,000
2001A Limited Tax General Obligation Bonds	12/1/11	2012, 2013, 2016, 2018, 2021	4.35 – 4.90%	1,835,000
2001B Limited Tax General Obligation Bonds	12/1/11	2012, 2017, 2021	4.90 – 5.45%	1,390,000

The issuance and sale of the Refunding Bonds is authorized only if the City Council determines in the Bond Sale Resolution that such issuance and sale will realize a minimum savings to the City that is acceptable to the City Finance Director, consistent with the City's general debt policies. In making a determination, the Finance Director shall consider the fixed maturities of the Refunding Bonds and the Refunded Bonds, the costs of issuance and sale of the Refunding Bonds, and the known earned income from the investment of the proceeds of the issuance and sale of the Refunding Bonds and other money of the City used in the Refunding Plan pending payment and redemption of the Refunded Bonds.

In the Bond Sale Resolution, the City Council must find and determine that: (i) the savings is acceptable; (ii) the money to be deposited with the Refunding Trustee will discharge and satisfy the obligations of the City with respect to the Refunded Bonds under the Refunded Bond Ordinances; (iii) that the pledges, charges, trusts, covenants, and agreements of the City made or provided for in the Refunded Bond Ordinances shall be discharged; and (iv) that, immediately upon the irrevocable deposit of such money with the Refunding Trustee, the Refunded Bonds shall no longer be deemed to be outstanding under the ordinance that authorized the Refunded Bonds.

Section 2. Definitions. As used in this ordinance, the following words shall have the following meanings:

(a) "*1998 LTGO Bonds*" means the City's $4,480,000 Limited Tax General Obligation Refunding Bonds, 1998, authorized by Ordinance No. 3235, passed on December 15, 1998.

(b) "*1998 Revenue Bonds*" means the City's $2,420,000 par value Water and Sewer Revenue Refunding Bonds, 1998, authorized by Ordinance No. 3191, passed on February 17, 1998.

(c) "*2001A Bonds*" means the City's $3,045,000 Limited Tax General Obligation Bonds, 2001, authorized by Ordinance No. 3372, passed on August 21, 2001.

(d) "*2001B Bonds*" means the City's $2,260,000 Limited Tax General Obligation Bonds, 2001 Series B, authorized by Ordinance No. 3388, passed on December 11, 2001.

(e) "*Acquired Obligations*" means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds.

(f) "*Bond Fund*" means a special fund for the payment of the principal of and interest on any series of Bonds, as designated in the relevant Bond Sale Resolution.

(g) "*Bond Legislation*" means, for each series of Bonds, this ordinance and the relevant Bond Sale Resolution.

(h) "*Bond Register*" means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of each Bond and the principal amount and number of Bonds held by each owner.

(i) "*Bond Registrar*" means the Fiscal Agent.

(j) "*Bond Sale Resolution*" means a resolution adopted by the City Council, fixing the date, form, maturities, interest rates, terms and covenants of the each series of the Bonds and approving their sale consistent with this ordinance.

(k) "*Bonds*" means the Bonds authorized by this ordinance.

(l) "*City*" means the City of Edmonds, Washington.

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

(n) "*DTC*" means The Depository Trust Company, New York, New York.

(o) "*Government Obligations*" has the meaning given in chapter 39.54 RCW, as it now exists or may hereafter be amended.

(p) "*Finance Director*" means the Finance Director of the City.

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

(r) "*Letter of Representations*" means the Blanket Issuer Letter of Representations dated August 6, 1996, between the City and DTC, as it may be amended from time to time.

(s) "*MSRB*" means the Municipal Securities Rulemaking Board.

(t) "*Permitted Investments*" means any investment that is a legal investment for cities in the State.

(u) "*Rating Agency*" means the nationally recognized rating agency or agencies, if any, providing a rating on the Bonds at the request of the City.

(v) "*Refunded Bonds*" means all or a portion of the callable maturities of the 1998 LTGO Bonds, 1998 Revenue Bonds, 2001A Bonds or 2001B Bonds identified in Section 1 of this ordinance, as further identified in a Bond Sale Resolution.

(w) "*Refunded Bond Ordinance(s)*" means the following City ordinances, as applicable:

Bond Issue	**Ordinance No.**
1998 Limited Tax General Obligation Bonds	3235
1998 Water & Sewer Revenue Bonds	3191
2001A Limited Tax General Obligation Bonds	3372
2001B Limited Tax General Obligation Bonds	3388

(x) "*Refunding Bonds*" means the Bonds issued pursuant to this ordinance and a Bond Sale Resolution, for the purpose of refunding all or a portion of any of the Refunded Bonds.

(y) "*Refunding Plan*" means the refunding of all or a portion of the Refunded Bonds through the issuance of one or more series of Bonds, all as more particularly described in a Bond Sale Resolution.

(z) "*Refunding Trust Agreement*" means a refunding trust or escrow agreement between the City and a Refunding Trustee, dated as of the closing date of such series, providing for the safekeeping of certain Bond proceeds and the refunding of all or a portion of the Refunded Bonds, substantially in the form attached to the Bond Sale Resolution for the applicable series of Bonds.

(aa) "*Refunding Trustee*" means for each series of Bonds issued for the purpose of carrying out a refunding, the Finance Director, or the trustee or escrow agent, or any successor trustee or escrow agent, designated by the Finance Director and approved in the applicable Bond Sale Resolution.

(bb) "*Revenue Obligation*" means any series of Bonds issued for the purpose of providing funds to refund the 1998 Refunded Revenue Bonds and secured by a pledge of Revenues of the System pursuant to Section 11 of this ordinance.

(cc) "*SEC*" means the United States Securities and Exchange Commission.

(dd) "*State*" means the State of Washington.

(ee) "*Term Bond*" means those a Bond designated as such in a Bond Sale Resolution.

(ff) "*ULID*" means utility local improvement district.

(gg) "*ULID Assessments*" means the assessments levied in such ULID of the City which may hereafter be created pursuant to state law and shall include installments thereof and interest and any penalties thereon.

Section 3. Authorization of the Bonds. The City shall borrow money on the credit of the City and issue negotiable limited tax general obligation bonds evidencing indebtedness to provide the funds for the purposes described in Section 1. The Bonds may be issued in any combination or as multiple separate series. The Finance Director is authorized and directed to prepare for and conduct a sale of the Bonds authorized by this ordinance, the terms of which sale shall be subject to approval by the City Council in one or more Bond Sale Resolutions. No Bonds may be issued and sold except pursuant to a Bond Sale Resolution approving the terms of such sale.

Except as provided below, the Bonds shall be issued as general obligation bonds and the general indebtedness so incurred shall be within the limit of up to 1½% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein. One or more series of Bonds issued to refund 1998 Revenue Bonds, may be issued as Revenue Obligations and may be secured by a pledge of the Revenue of the System as set forth under Section 11 of this ordinance. The Bond Sale Resolution may set forth additional terms, conditions, and covenants relating to Revenue Obligations that the City Council deems necessary and appropriate to carry out the purposes of this ordinance.

The Mayor, Finance Director, and other proper City officials are authorized and directed to do everything necessary for the issuance, sale and delivery of the Bonds (subject to approval of the terms of such Bonds in a Bond Sale Resolution), and for the proper application and use of the proceeds of the sale thereof. The actions heretofore taken in furtherance of and not inconsistent with the purposes of this ordinance are hereby ratified and confirmed.

Section 4. Description of the Bonds. The Bonds shall be dated the date of their delivery to the initial purchaser. They shall be issued in denominations of $5,000 or any integral multiple thereof within a single maturity and numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification. The Bonds shall mature on the dates and in the amounts, bear interest payable on the dates and at the rates, and shall contain such additional terms as specified in the Bond Sale Resolution. The Bonds shall be subject to optional or mandatory redemption, purchase or defeasance on the terms and at the time specified in the Bond Sale Resolution. All or some of the Bonds may be designated as Term Bonds, the principal of which is payable in mandatory redemption amounts prior to their stated maturity, all as specified by the Bond Sale Resolution. The final maturity of any series of Bonds shall not extend beyond the calendar year of the final maturity of the bonds to be refunded by that series.

Section 5. Duties of Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and City Ordinance No. 2451 establishing a system of registration for the City's bonds and obligations.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the

extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 6. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the owner of each Bond and the principal amount and number of each of the Bonds held by each owner. Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

The Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to registered owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For as long as any Bonds are held in fully immobilized form, DTC, its nominee or its successor depository shall be deemed to be the registered owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC or its nominee and, except for the purpose of the City's undertaking herein to provide continuing disclosure, shall not mean the owners of any beneficial interests in the Bonds. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the City or such substitute depository's successor; or (iii) to any person if the Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the City that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the City may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the City determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided herein and the Bonds no longer shall be held in fully immobilized form.

Section 7. Payment of Bonds. 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 paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date or, if requested in writing by a registered owner of $1,000,000 or more in principal amount of Bonds prior to the applicable record date, by wire transfer on the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners to the Bond Registrar. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations.

Section 8. Redemption Provisions and Open Market Purchase of Bonds.

(a) *Optional Redemption.* The Bond Sale Resolution may reserve to the City the right and option to redeem any or all of the Bonds, as a whole or in part (within one or more maturities selected by the City and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption, or at such other price(s) as may be set forth in the Bond Sale Resolution.

(b) *Term Bonds.* The Bond Sale Resolution may provide that all or some of the Bonds are designated as Terms Bonds. If Term Bonds are redeemed under the optional redemption provisions, purchased by the City in the open market, or defeased, the par amount of Term Bonds so redeemed, purchased, or defeased (irrespective of their actual redemption or purchase price), shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given. Portions of the principal amount of any Bond, in installments of $5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same maturity and interest rate in any of the denominations authorized by this ordinance in the aggregate principal amount remaining unredeemed.

(c) *Open Market Purchase.* The City reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase. All Bonds purchased or redeemed under this section shall be canceled.

(d) *Selection of Bonds for Redemption.* Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, selection of Bonds for redemption shall be in accordance with the Letter of Representations.

Section 9. Notice of Redemption. While the Bonds are held by DTC in book-entry only form, any notice of redemption shall be given at the time, to the entity and in the manner required by DTC in accordance with the Letter of Representations, and the Bond Registrar shall not be required to give any other notice of redemption. If the Bonds cease to be in book-entry only form, the City shall cause notice of any intended redemption of Bonds to be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by

first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond.

In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected registered owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed within the same period, postage prepaid, to the MSRB, to a Rating Agency, and to such other persons and with such additional information as the Finance Director shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

Section 10. Failure To Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on that Bond from the sources identified in the Bond Sale Resolution at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the registered owner thereof.

Section 11. Security for the Bonds.

(a) *General Obligation Bonds*. For as long as any of the Bonds issued as limited tax general obligation bonds are outstanding, the City irrevocably pledges to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on those general obligation Bonds, and the full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

(b) *Revenue Obligations.* The Bond Sale Resolution may provide that, for as long as any Bonds issued as Revenue Obligations are outstanding, the City pledges all Revenue of the System to the payments required to be made into the Bond Fund under the Bond Sale Resolution. Such Revenue Obligations shall constitute a charge and lien upon that Revenue of the System prior and superior to all other charges and liens whatsoever, excluding Operating and Maintenance Expenses, except that the charge and lien upon that Revenue of the System shall be on a parity with the charge and lien upon that Revenue of the System and upon any ULID Assessments thereafter pledged to be paid into the Bond Fund for the Outstanding Parity Bonds and any Future Parity Bonds.

For purposes of any Bonds issued as Revenue Obligations, the following definitions shall apply:

(i) "*Future Parity Bonds*" means all revenue bonds of the City issued after the date of the issuance of the Bonds and having a lien upon the Revenue of the System for the payment of the principal thereof and interest thereon equal to the lien upon such Revenue of the System for the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds issued as Revenue Obligations.

(ii) "*Operating and Maintenance Expenses*" means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition, but shall not include any depreciation or taxes or charges in lieu of taxes levied or imposed by the City.

(iii) "*Outstanding Parity Bonds*" means the outstanding 1998 Revenue Bonds and the City's $7,875,000 par value Water and Sewer Revenue Improvement and Refunding Bonds, 2003, authorized by Ordinance No. 3446, passed on March 25, 2003.

(iv) "*Parity Bonds*" means the Outstanding Parity Bonds, the Bonds issued as Revenue Obligations, and any Future Parity Bonds.

(v) "*Revenue of the System*" means all the earnings and revenue received by the System from any source whatsoever, except general ad valorem taxes, ULID Assessments, proceeds from the sale of City property, bond proceeds, and earnings on funds held for payment to the United States of America under Section 148 of the Code.

(vi) "*System*" means the combined water supply and distribution system and sanitary sewage disposal system of the City as the same may be added to, improved and extended for as long as any of the Parity Bonds are outstanding.

Section 12. Form and Execution of Bonds. The Bonds shall be prepared in a form consistent with the provisions of this ordinance and state law and shall be signed by the Mayor and City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance, stating: "This Bond is one of the fully registered City of Edmonds, Washington, [*NAME OF SERIES OF BONDS*], described in the Bond Legislation." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

If any officer whose facsimile signature appears on the Bonds ceases to be an officer of the City authorized to sign bonds before the Bonds bearing his or her facsimile signature are authenticated or delivered by the Bond Registrar or issued by the City, those Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person

who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 13. Preservation of Tax Exemption for Interest on Bonds. The City covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Bonds, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes.

Section 14. Designation of Bonds as "Qualified Tax-Exempt Obligations." The City has determined and certifies that (a) the Bonds are not "private activity bonds" within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) which the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Bonds are issued will not exceed $10,000,000; and (c) the amount of tax-exempt obligations, including the Bonds, designated by the City as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bonds are issued does not exceed $10,000,000. The City designates the Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

Section 15. Refunding or Defeasance of the 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 the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the refunding or defeasance. If money and/or "government obligations" (as defined in chapter 39.53 RCW, as now or hereafter amended) maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased Bonds (hereinafter called the "trust account"), then all right and interest of the owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. The owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the

defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for defeased Bonds.

After the establishing and full funding of such a trust account, the defeased Bonds shall be deemed no longer outstanding, and 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 if the defeased Bonds are Revenue Obligations.

If the refunding plan provides that the defeased Bonds or the refunding bonds to be issued be secured by money and/or Government Obligations or other Permitted Investments pending the prior redemption of the defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations or other Permitted Investments are pledged irrevocably for the prior redemption of the defeased Bonds included in that refunding plan, then only the debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of coverage ratios for purposes of meeting the Coverage Requirement for the issuance of Future Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of Representations for notices of redemption of Bonds.

Section 16. Bond Fund; Deposit of Bond Proceeds.

(a) *Bond Fund.* Each Bond Sale Resolution shall provide for the creation or designation of a Bond Fund for the purpose of paying principal of and interest on the relevant series of Bonds. All taxes collected for (and, as to any Bonds issued as Revenue Obligations, the revenues collected and allocated to) the payment of the principal of and interest on the Bonds shall be deposited in the Bond Fund.

(b) *Deposit of Bond Proceeds.* The principal proceeds and premium, if any, received from the sale and delivery of the Bonds shall be deposited, invested and used in accordance with the applicable Refunding Plan set forth in the Bond Sale Resolution and in accordance with Section 17 of this ordinance.

Section 17. Refunding of the Refunded Bonds.

(a) Appointment of Refunding Trustee; Authorization for Refunding Trust Agreement. The Bond Sale Resolution shall describe the Refunding Plan and provide for the appointment of a Refunding Trustee, which may be the Finance Director or an independent trustee, to carry out the Refunding Plan. In connection with the issuance of the Refunding Bonds, the Mayor and Finance Director are authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement, substantially in the form approved in the Bond Sale Resolution, which sets forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption and retirement of the Refunded Bonds as provided in this ordinance and in the Bond Sale Resolution, and stating that the provisions for payment of the fees, compensation and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the Finance Director is authorized to make such changes therein which do not change the substance and purpose thereof

or which assure that the escrow provided therein and the Refunding Bonds are in compliance with the requirements of federal law governing the exclusion of interest on the Refunding Bonds from gross income for federal income tax purposes.

(b) Call for Redemption of Refunded Bonds. As a part of the Refunding Plan, the City shall in the Bond Sale Resolution call the Refunded Bonds for redemption. Such call for redemption shall specify the name of the bonds, the maturity dates, call dates and redemption prices (expressed as a percentage of par, plus accrued interest), and shall be irrevocable after the delivery to the purchaser of the Refunding Bonds. The dates on which the Refunded Bonds are called for redemption shall be, in the judgment of the Finance Director, the earliest practical dates on which those bonds may be called for redemption. The Finance Director, Mayor and other proper City officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required pursuant to the Refunded Bond Ordinances, in order to effect the defeasance and redemption prior to maturity of the Refunded Bonds.

(c) The Refunding Plan; Use of Refunding Bond Proceeds. The Bond Sale Resolution shall provide that the proceeds of the Refunding Bonds (together with other money of the City, if necessary) in an amount sufficient to carry out the Refunding Plan shall, immediately upon receipt, be deposited with the Refunding Trustee. The Refunding Trustee shall use the money so deposited to discharge the obligations of the City relating to the Refunded Bonds under the Refunded Bond Ordinances by providing for the payment of the amounts required to be paid by the Refunding Plan. The Refunding Plan shall be carried out, and proceeds of the Bonds shall be applied, in accordance with the Bond Legislation and the laws of the State.

(d) Acquisition and Substitution of Acquired Obligations. The adoption of the Bond Sale Resolution shall be authorization and direction to the Refunding Trustee to purchase the Acquired Obligations (or substitute obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this ordinance and the Bond Sale Resolution. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income earned on the amounts so deposited shall be held irrevocably, invested and applied in accordance with the provisions of the ordinance that authorized the Refunded Bonds, this ordinance, the Bond Sale Resolution, chapter 39.53 RCW and other applicable statutes of the State, and the Refunding Trust Agreement. All necessary and proper fees, compensation and expenses of the Refunding Trustee and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the Refunding Bonds, including bond printing, verification fees, bond counsel's fees and other related expenses, may be paid out of the proceeds of the Refunding Bonds. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amounts required to be paid by the Refunding Plan. The Acquired Obligations shall be listed and more particularly described in a schedule attached to the Refunding Trust Agreement, but are subject to substitution as set forth below. Prior to the purchase of any such Acquired Obligations, the City reserves the right to substitute other Government Obligations for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if (i) in the opinion of Bond Counsel, the interest on the Bonds and the Refunded Bonds issued as tax-exempt obligations will remain

excluded from gross income for federal income tax purposes under Sections 103, 148 and 149(d) of the Code, and (ii) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized firm of independent certified public accountants. After the purchase of the Acquired Obligations by the Refunding Trustee, the City reserves the right to substitute therefor cash or Government Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such substitution will not cause the Bonds or the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations under such section of the Code in effect on the date of such substitution and applicable to obligations issued on the issue date of the Bonds, and that the City obtain: (i) verification by a nationally recognized independent certified public accounting firm reasonably acceptable to the Refunding Trustee confirming that the payments of principal of and interest on the Government Obligations, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (ii) an opinion from Bond Counsel to the effect that the disposition and substitution or purchase of such securities, under the statutes, rules and regulations then in force and applicable to the Bonds, will not cause the interest on the Bonds or the Refunded Bonds issued as tax-exempt obligations to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and may be used for any lawful City purpose.

Section 18. Preliminary Official Statement Deemed Final. The City Council will be provided with copies of a preliminary official statement prepared in connection with the sale of each series of Bonds. Prior to its distribution and for the sole purpose of the Bond purchaser's compliance with SEC Rule 15c2-12(b)(1), the City Finance Director is authorized to "deem final" any such preliminary official statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, options of redemption, delivery dates, ratings and other terms of the Bonds dependent on such matters.

Section 19. Undertaking to Provide Continuing Disclosure. The City shall undertake to provide for the benefit of holders of the Bonds certain annual financial information and operating data of the type included in the final official statement for those Bonds, as well as disclosure of certain material events respecting the Bonds, in the manner and to the extent required by SEC Rule 15c2-12(b)(5). The particular terms of such undertaking shall be set forth in the Bond Sale Resolution.

Section 20. Sale of the Bonds; Bond Sale Resolution; Form and Execution of Documents.

(a) *Manner of Sale of the Bonds.* The Finance Director shall determine whether, based on market conditions and advice from the City's financial advisor, to offer the Bonds for sale at competitive bid or through a negotiated sale. If the Bonds are to be sold by competitive bid, the Finance Director is authorized to specify a date and time of sale of the Bonds, to give notice of that sale, to determine any bid requirements and criteria for determining the award of

the bid, to provide for the use of an electronic bidding mechanism, and to specify other matters in his or her determination necessary, appropriate or desirable to carry out the sale of the Bonds. The City reserves the right to waive any irregularity in any bid or in the bidding process. The terms of that sale shall be consistent with this ordinance and shall be confirmed by the Bond Sale Resolution. CUSIP numbers will be printed on the Bonds if requested by the purchasers, but neither failure to print CUSIP numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchasers to accept delivery of and pay for the Bonds in accordance with the purchase offer. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City, but the fee of the CUSIP Service Bureau for the assignment of those numbers shall be the responsibility of and shall be paid by the purchasers.

(b) *Bond Sale Resolution.* The Bonds may be issued only upon adoption by the City Council of a Bond Sale Resolution providing for the matters described in this ordinance, including the manner of sale and delivery of and payment for the Bonds, the maturity dates of and interest rates on the Bonds, and such other matters that the City Council deems necessary and appropriate to carry out the purposes of this ordinance. Once adopted, the Bond Sale Resolution shall be deemed a part of this ordinance as if set forth herein. The Bond Sale Resolution may provide for bond insurance, and may provide conditions or covenants relating thereto, including additional terms, conditions, and covenants relating to the Bonds that are required by the bond insurer, and are consistent with the provisions of this ordinance, including but not limited to restrictions on investments and requirements of notice to and consent of the bond insurer.

(c) *Form and Execution of Documents.* The City will cause the Bonds to be prepared, sealed and executed in a form and manner consistent with the provisions of the Bond Legislation and State law, and will obtain the approving legal opinion of nationally recognized bond counsel. The Mayor and the Finance Director are each separately authorized to execute and deliver, on behalf of the City, any contracts and other documents consistent with the provisions of this ordinance for which the City's approval is necessary or to which the City is a party and that are related or incidental to the issuance and sale of the Bonds.

Section 21. General Authorization. The Mayor and the Finance Director and other appropriate officers of the City are each authorized and directed to do everything as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance.

Section 22. Severability. Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this ordinance be pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

Section 23. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council and APPROVED by the Mayor of the City of Edmonds, Washington, at an open public meeting thereof, this 15th day of February, 2011.

Mayor Mike Cooper

ATTEST:

City Clerk Sandra S. Chase

APPROVED AS TO FORM:

FOSTER PEPPER PLLC
Bond Counsel

Filed with the City Clerk:	02-11-2011
Passed by the City Council:	02-15-2011
Published:	02-20-2011
Effective Date:	02-25-2011

CERTIFICATION

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

1. The attached copy of Ordinance No. 3837 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on February 15, 2011, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect five days after publication in the City's official newspaper; and

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

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of February, 2011.

CITY OF EDMONDS, WASHINGTON

Sandra S. Chase

City Clerk

51120514.4

SUMMARY OF ORDINANCE NO. 3837

of the City of Edmonds, Washington

On the 15th day of February, 2011, the City Council of the City of Edmonds passed Ordinance No. 3837. A summary of the content of said ordinance, consisting of the title, provides as follows:

> AN ORDINANCE of the City of Edmonds, Washington, relating to contracting indebtedness; providing for the issuance of limited tax general obligation bonds and revenue bonds to provide the funds necessary to carry out a refunding of all or a portion of certain outstanding general obligation bonds and revenue bonds of the City and to pay the administrative costs of such refundings and the costs of issuance and sale of the bonds; fixing certain terms and covenants of the bonds; and providing for the public sale of the bonds.

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

DATED this 16th day of February, 2011.

Sandra S. Chase

CITY CLERK, SANDRA S. CHASE

Affidavit of Publication

STATE OF WASHINGTON,
COUNTY OF SNOHOMISH } **S.S.**

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

DATED this 16th day of February, 2011.

CITY CLERK, SANDRA S. CHASE

Published: February 20, 2011.

The undersigned, being first duly sworn on oath deposes and says that she is Principal Clerk of THE HERALD, a daily newspaper printed and published in the City of Everett, County of Snohomish, and State of Washington; that said newspaper is a newspaper of general circulation in said County and State; that said newspaper has been approved as a legal newspaper by order of the Superior Courtof Snohomish County and that the notice

Summary of Ordinance NO. 3837

a printed copy of which is hereunto attached, was published in said newspaper proper and not in supplement form, in the regular and entire edition of said paper on the following days and times, namely:

February 20, 2011

and that said newspaper was regularly distributed to its subscribers during all of said period.

Jody Grohl

Principal Clerk

Subscribed and sworn to before me this **21st**

day of **February, 2011**

Notary Public in and for the State of Washington, residing at Everett, Snohomish County.

RECEIVED

FEB 25 2011

EDMONDS CITY CLERK