

ORDINANCE NO. 527

AN ORDINANCE OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION BONDS TO PROVIDE FINANCING FOR THE CONSTRUCTION OF A LIBRARY AND CITY HALL AND, PENDING THE ISSUANCE OF THOSE BONDS, AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTES IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$13,000,000; AND FIXING THE FORM AND TERMS OF THE NOTES.

WHEREAS, it is in the best interest of the City of University Place, Washington (the "City") to construct a new library and city hall within the Town Center in the City; and

WHEREAS, Bank of America, N.A. has offered to extend the City a non-revolving line of credit to finance such construction pending the issuance of bonds; and

WHEREAS, RCW 39.46.050 authorizes local governments to establish lines of credit with any qualified public depository to be drawn upon in exchange for its obligations; and

WHEREAS, RCW 39.50.020 authorizes local governments to issue notes in anticipation of the issuance of bonds; and

WHEREAS, the Council deems it to be in the best interest of the City that it sell two notes to Bank of America, N.A. to evidence the line of credit;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, DO ORDAIN as follows:

Section 1.     Definitions. As used in this ordinance, unless a different meaning clearly appears from the context:

"Authorized Officer" means the Finance Director of the City, or his designee.

"Bank" means Bank of America, N.A.

“Bonds” means the Limited Tax General Obligation Bonds to be issued to pay and redeem the Notes or any refunding note or notes.

“City” means the City of University Place, Washington.

“Council” means the general legislative authority of the City as the same shall be duly and regularly constituted from time to time.

“Notes” means the not to exceed \$13,000,000 Limited Tax General Obligation Bond Anticipation Notes, 2008 Series A and Series B (Taxable), of the City issued pursuant to this ordinance.

“Note Account” means the Limited Tax General Obligation Bond Anticipation Note Account, 2008, established pursuant to Section 5.

“Note Registrar” means the Finance Director.

“Outstanding Principal Balance” of a Note means on any particular day the aggregate of all funds that the City has drawn from the Bank under that Note to that day, less the aggregate of all principal payments on the Note made by the City on or before that day.

“Prime Rate” means the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Prime Rate.

“Proposal” means the proposal letter submitted by the Bank to purchase the Notes and attached as Exhibit A.

“Request for Draw” means an oral or written request by an Authorized Officer for a draw from the non-revolving line of credit authorized to be established by this ordinance substantially in the form of Exhibit B, all as more fully described in Section 3.

Section 2. Authorization of the Bonds. For the purpose of providing funds necessary to repay the Notes, the Council shall issue Bonds in such amount and form and with such terms, as shall be determined by ordinance of the Council. The proceeds of the Bonds shall be paid into the Note Account and applied, together with other available funds, in amounts sufficient to repay the Note.

Section 3. Authorization and Description of Notes. For the purpose of providing all or part of the money required to construct a new library and city hall within the Town Center in the City, and pay costs of issuing the Note pending the issuance of the Bonds, the City shall issue its Limited Tax General Obligation Bond Anticipation Notes, 2008, in the maximum principal amount of not to exceed \$13,000,000. The Notes shall consist of Series A in the principal amount of not to exceed \$10,000,000 and Series B (Taxable) in the principal amount of not to exceed \$3,000,000. Amounts drawn on the Series A Note shall bear interest at a rate per year equal to 65% of the Prime Rate, minus a spread of 0.80%. Amounts drawn on the Series B (Taxable) Note shall bear interest at a rate per year equal to the Prime Rate minus a spread of 1.50%. The Notes shall be issued in fully registered form and shall be numbered, shall be dated as of their date of delivery to the Bank, and shall mature on December 31, 2009.

The City may make incremental draws upon the Notes in any amount, pursuant to a Request for Draw, on any business day during the term of the Notes to carry out the purposes of the Note, subject to the limitations that the aggregate amount of all incremental draws upon the

Notes may not exceed \$13,000,000, and provided that draws made after 1:00 p.m., Pacific time will be disbursed on the following business day.

Interest on outstanding principal of the Notes shall accrue from the date such principal is drawn under the Notes until paid. Interest shall be calculated on the basis of a 360-day year and the actual number of days elapsed. Interest shall be payable quarterly, on each April 1, July 1, October 1 and January 1, beginning October 1, 2008, and at maturity or upon prepayment. All principal on the Notes shall be paid at maturity or upon prepayment. If there occurs any nonpayment of principal or interest of the Notes when due, the Bank may elect to have the interest rates on the Notes increased by two (2.0) percentage points (the "Default Rate"); and if the tax-exempt note does not maintain its tax-exempt status, the Bank may elect to have the interest rate on such Note increased by two (2.0) percentage points.

Principal of and interest on the Notes shall be payable as described in Section 5 below. If the Notes are not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on the Notes at the Default Rate from and after the maturity or call date until the Notes, both principal and interest, are paid in full or until sufficient money for that payment in full is on deposit in the Note Fund.

Section 4. Designation of Officer to Make Request for Draws. A Request for Draw pursuant to the Notes may be made by the Authorized Officer in writing pursuant to the draw certificate attached hereto in Exhibit B. The Council hereby delegates to the Authorized Officer authority to make a written Request for Draw pursuant to this ordinance. The Bank shall incur no liability to the City or to any other person in acting upon any written communication which the Bank believes in good faith to have been given by an official authorized to borrow on behalf of the City, or otherwise acting in good faith in making advances pursuant to this ordinance.

Section 5. Note Redemption Account and Security for the Note. A special account of the City to be known as the “City of University Place Limited Tax General Obligation Bond Anticipation Note Account, 2008” (the “Note Account”) in the Debt Service Fund is hereby authorized to be created by the Finance Director. The Note Account shall be a trust account and shall be drawn upon for the sole purpose of paying the principal of and interest on the Notes. Money on deposit in the Note Account not immediately needed to pay such interest or principal may temporarily be deposited in such institutions or invested in such obligations that are legal investments for City funds. Any interest or profit from the investment of such money shall be deposited in the Note Account. Any money remaining in the Note Account after payment in full of the principal of and interest on the Notes may be transferred to the general fund of the City, and the Note Account shall be closed.

The City covenants that on or before the maturity date of the Notes it will issue the Bonds, refunding bond anticipation notes, or a combination of the foregoing in an amount sufficient to pay the Notes when due.

The Notes are general obligations of the City. The City hereby irrevocably covenants that it will levy taxes annually upon all the taxable property in the City without limitation as to rate or amount and in amounts sufficient, with other money legally available therefor, to pay the principal of and interest on the Notes as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of tax levies may be discharged prior to maturity of the Notes by making full provision for the payment thereof.

Section 6. Application of Note Proceeds. Proceeds received from draws on the Notes shall be deposited in the Note Proceeds Account in the Debt Service Fund and be used to

construct the library and city hall and pay costs of issuing the Notes. Money in such account shall be invested in legal investments for City funds. Upon completion of such acquisition or a decision not to complete any portion of the construction, any remaining money in the fund shall be transferred to the Note Account or used for other capital purposes.

Section 7.     Prepayment. The City may prepay the Notes in whole or in part at any time by paying the principal amount thereof to be prepaid together with accrued interest to the date of prepayment. No prepayment penalty shall apply. If the Notes are prepaid in full, interest shall cease to accrue on the date such prepayment occurs.

Section 8.     Note Registrar. The Note Registrar shall keep, or cause to be kept, at the office of the Finance Director, sufficient records for the registration and transfer of the Notes. The Note Registrar is authorized, on behalf of the City, to authenticate and deliver the Notes in accordance with the provisions of the Notes and this ordinance, to serve as the City's paying agent for the Notes and to carry out all of the Note Registrar's powers and duties under this ordinance.

Section 9.     Form and Execution of Notes. The Notes shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. \_\_\_\_\_ \$ \_\_\_\_\_

STATE OF WASHINGTON

CITY OF UNIVERSITY PLACE, WASHINGTON  
LIMITED TAX GENERAL OBLIGATION BOND  
ANTICIPATION NOTE, 2008 [SERIES A/B (TAXABLE)]

REGISTERED OWNER:     Bank of America, N.A.

MATURITY DATE:         December 31, 2009

The City of University Place, Washington (the "City"), a municipal corporation organized and existing under the laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay, but solely from the Note Fund hereinafter identified, to the Registered Owner identified above on December 31, 2009, the principal sum of amounts drawn on the Note pursuant to a Request for Draw (not to exceed \$10,000,000/\$3,000,000] outstanding at any one time), from the date hereof. Each amount drawn pursuant to a Request for Draw under this Note shall bear interest at a rate per year equal to [65% of the Prime Rate, minus a spread of 0.80%/ the Prime Rate minus a spread of 1.50%], as set forth in Ordinance No. 527 of the City, passed on July 7, 2008 (the "Note Ordinance"). Interest on this Note shall accrue from the date money is drawn, pursuant to a Request for Draw, until paid and shall be computed on the Outstanding Principal Balance on the basis of a 360-day year and the actual days elapsed. Interest shall be payable quarterly, beginning October 1, 2008 and at maturity or upon early prepayment. Principal on this Note shall be paid on the Maturity Date identified above. Upon payment of this Note in full, the Registered Owner shall surrender this Note at the office of the City Finance Director for cancellation. Both principal of and interest on this Note are payable in lawful money of the United States of America.

The City may prepay this Note in whole or in part at any time by paying the principal amount thereof to be prepaid together with accrued interest to the date of prepayment.

This Note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Note Ordinance until the Registration Certificate hereon shall have been manually signed by the Note Registrar. Reference is made to the Note Ordinance for definitions of capitalized terms.

This Note is issued pursuant to the Note Ordinance for the purpose of financing a library and city hall in anticipation of the issuance of bonds, all in conformity with the Constitution and laws of the State of Washington.

The City hereby designates this Note as a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The City does not expect to issue more than \$10,000,000 in qualified tax-exempt obligations during calendar year 2008.

The City has irrevocably covenanted that it will deposit in the Limited Tax General Obligation Bond Anticipation Note Account, 2008 of the City authorized to be maintained by the Note Ordinance, taxes levied, bond proceeds or refunding note proceeds, in amounts which, together with other moneys of the City legally available therefor, will be sufficient to pay the principal of and interest on this Note as the same shall become due.

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

IN WITNESS WHEREOF, the City of University Place, Washington, has caused this Note to be executed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the Clerk, and the seal of the City to be imprinted or impressed hereon as of the \_\_\_\_\_ day of July, 2008.

[SEAL]

CITY OF UNIVERSITY PLACE,  
WASHINGTON

By           /s/ manual or facsimile            
Mayor

ATTEST:

          /s/ manual or facsimile            
City Clerk

REGISTRATION CERTIFICATE

This Note is registered in the name of the Registered Owner on the books of the City, in the office of the City Finance Director (the "Note Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this Note shall be made by the City with full acquittance by the Note Registrar's wire transfer, made payable to the last Registered Owner as shown hereon and on the registration books of the Note Registrar at his/her address noted hereon and on the registration books of the Note Registrar.

Date of Registration	Name and Address of Registered Owner	Signature of Registrar
_____, 2008	Bank of America, N.A. 800 Fifth Avenue, Floor 34 Seattle, WA 98104	_____ Finance Director

Section 10. Execution. The Notes shall be executed on behalf of the City with the manual or facsimile signature of its Mayor, shall be attested by the facsimile or manual signature of the City Clerk and shall have the seal of the City impressed or imprinted thereon.

If any officer whose signature appears on the Notes ceases to be an officer of the City authorized to sign bonds before a Note bearing his or her signature is authenticated or delivered by the Note Registrar or issued by the City, the Note nevertheless may be authenticated, delivered



and issued 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 Note also may be signed on behalf of the City by any person who, on the actual date of signing of the Note, 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 Note.

Section 11. Sale of Notes; Unused Commitment Fee. The Council hereby authorizes the sale of the Notes to the Bank pursuant to the terms of the Bank's Proposal attached hereto and authorizes the Finance Director to accept a binding offer from the Bank consistent with the terms of the Proposal. Upon delivery of the Notes, the City shall pay to the Bank (a) a fee of \$13,000, (b) reimburse the Bank for its legal fees, and (c) quarterly in arrears, a fee for the unused portion of the Bank's commitment, which fee shall equal 0.10% per annum and be calculated on the difference between \$13,000,000 and the average Outstanding Principal Balance of the Notes for the preceding quarterly period, on the basis of actual number days elapsed in a 360-day year.

Section 12. Reporting Requirements. The City will provide the following information to the Bank:

- (1) Audited financial statements within 10 days after they are published;
- (2) Unaudited annual financial statements as soon as available and in any event within 7 months of year end;
- (3) The City's annual budget due within 30 days of adoption;
- (4) Internally prepared financial statements due quarterly, within 60 days of the quarter end; and

(5) Project status reports and such other information as may be reasonably requested by the Bank from time to time.

Section 13. Tax Covenant; Special Designation. The City shall comply with the provisions of this section unless, in the written opinion of Bond Counsel to the City, such compliance is not required in order to maintain the exemption of the interest on the Series A Note from federal income taxation.

The City hereby covenants that it will not make any use of the proceeds of sale of the Series A Note or any other funds of the City which may be deemed to be proceeds of such Series A Note pursuant to Section 148 of the Code and the applicable regulations thereunder that will cause the Series A Note to be an “arbitrage bond” within the meaning of said section and said regulations. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Series A Note) and the applicable regulations thereunder throughout the term of the Series A Note.

The City further covenants that it will not take any action or permit any action to be taken that would cause the Series A Note to constitute “private activity bonds” under Section 141 of the Code.

The City will pay any rebate amount to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption of the interest payments on the Series A Note, in accordance with the Federal Tax Certificate.

The City hereby designates the Series A Note as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The

City does not anticipate that it will issue more than \$10,000,000 of qualified tax-exempt obligations during 2008.

Section 14. Ratification; General Authorization. The Finance Director and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

Section 15. Severability. If any provision in this ordinance is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Notes.

Section 16. Effective Date. This ordinance shall become effective five days after its passage and publication.

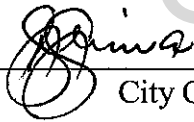
PASSED by the Council of the City of University Place, Washington, at a regular meeting thereof, held this 7th day of July, 2008.

CITY OF UNIVERSITY PLACE,  
WASHINGTON



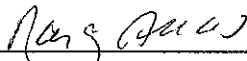
\_\_\_\_\_  
Mayor

ATTEST:



\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:



\_\_\_\_\_  
K&L Preston Gates Ellis LLP

FILED WITH THE CITY CLERK:

PASSED BY THE CITY COUNCIL: July 7, 2008

PUBLISHED: July 9, 2008

EFFECTIVE DATE: July 21, 2008

ORDINANCE NO.: 527

CERTIFICATE

I, the undersigned, Clerk of the City of University Place, Washington (the "City"), and keeper of the records of the City Council (herein called the "Council"), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. 527 of the Council (herein called the "Ordinance"), duly passed at a regular meeting thereof held on the 7th day of July, 2008.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, 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 Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City this 7th day of July, 2008.

  
\_\_\_\_\_  
City Clerk

[SEAL]

[ATTACH BANK'S PROPOSAL LETTER]

UNOFFICIAL DOCUMENT

EXHIBIT B

UNIVERSITY PLACE NON-REVOLVING LINE OF CREDIT

REQUEST FOR DRAW NO. \_\_\_\_\_

On behalf of University Place, Washington ("City"), I hereby certify that:

1. I am an Authorized Officer of the City, authorized by Ordinance No. 527 of the City Council adopted on July 7, 2008 (the "Ordinance") to request this draw under the Limited Tax General Obligation Bond Anticipation Notes, 2008 (the "Notes") and to make the representations on behalf of City set forth herein.

2. City requests a draw under the Series A Note in the amount of \$ \_\_\_\_\_.  
City requests a draw under the Series B (Taxable) Note in the amount of \$ \_\_\_\_\_.

The aggregate outstanding amounts of all draws, including this draw, under the Notes do not exceed \$13,000,000. Please disburse the draw to City on [insert date], by depositing funds to City as follows:

\_\_\_\_\_  
ABA Number \_\_\_\_\_  
For the Account of City \_\_\_\_\_  
Account No. \_\_\_\_\_  
City – Draw No. \_\_\_\_\_

3. Except as previously disclosed to the Bank, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental body pending or, to the best of the knowledge of the City, threatened against the City to restrain or enjoin the adoption of the Resolution or the execution and delivery of the Notes, or the collection and application of funds as contemplated by the Ordinance and the Notes, which, in the reasonable judgment of the City, would have a material and adverse effect on the ability of the City to pay the amounts due under the Ordinance and the Notes.

4. All representations of the City in the Ordinance were true and correct when made, and remain true and correct on this date.

5. The City requests that draws under the Notes bear interest that is:

- Tax-Exempt  
 Taxable

6. If this draw represents the first draw under the Series A Note, this request for Draw is accompanied by an opinion of K&L Preston Gates Ellis LLP that interest on the Series A Note is excluded from the gross income of the holder thereof.

Dated as of this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

UNIVERSITY PLACE

By: \_\_\_\_\_  
Authorized Officer

UNOFFICIAL DOCUMENT