

CITY OF UNIVERSITY PLACE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2005

ORDINANCE NO. 439

AN ORDINANCE of the City of University Place, Washington, authorizing the issuance and sale of limited tax general obligation refunding bonds of the City in the aggregate principal amount of \$5,670,000 to refund certain outstanding limited tax general obligations of the City; authorizing the appointment of an escrow agent and an escrow agreement related to such refunding; and providing the terms of the bonds.

PASSED: March 21, 2005

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ORDINANCE NO. 439

AN ORDINANCE OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, AUTHORIZING THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,670,000 TO REFUND CERTAIN OUTSTANDING LIMITED TAX GENERAL OBLIGATIONS OF THE CITY; AUTHORIZING THE APPOINTMENT OF AN ESCROW AGENT AND AN ESCROW AGREEMENT RELATED TO SUCH REFUNDING; AND PROVIDING THE TERMS OF THE BONDS.

WHEREAS, the City Council of the City of University Place, Washington (the "City") has outstanding its Limited Tax General Obligation Bonds, 1996 Series A (the "1996A Bonds"), issued in the original principal amount of \$2,440,000 under date of July 15, 1996, pursuant to Ordinance No. 110 of the City passed on July 15, 1996, payable in principal amounts and bearing interest as follows:

Maturity Years (December 1)	Principal Amounts	Interest Rates
2005	\$ 130,000	5.50%
2006	140,000	5.60
2007	145,000	5.70
2008	155,000	5.80
2009	165,000	5.90
2010	175,000	6.00
2011	185,000	6.05
2012	195,000	6.10
2013	205,000	6.10
2014	220,000	6.15
2015	230,000	6.20
2016	245,000	6.20

; and

WHEREAS, Ordinance No. 110 provides that the City may redeem the portion of the 1996A Bonds maturing on and after December 1, 2007 (the "1996A Refunded Bonds") on and after December 1, 2006, in whole at any time or in part on any interest payment date at a price of par plus accrued interest, if any, to the date of redemption; and

WHEREAS, the City has outstanding certain of its Limited Tax General Obligation Bonds, 1997 (the "1997 Bonds"), issued in the original principal amount of \$5,500,000 under date of August 15, 1997, pursuant to Ordinance No. 163 of the City passed on August 19, 1997, maturing in principal amounts and bearing interest as follows:

Maturity Years (December 1)	Principal Amounts	Interest Rates
2005	\$ 235,000	4.75%
2006	245,000	4.75
2007	255,000	4.80
2008	270,000	4.85
2009	280,000	4.90
2010	295,000	5.00
2011	310,000	5.05
2012	325,000	5.10
2013	345,000	5.20
2014	360,000	5.25
2015	380,000	5.30
2016	400,000	5.30
2017	425,000	5.30

; and

WHEREAS, Ordinance No. 163 provides that the City may call the 1997 Bonds maturing on and after December 1, 2008 (the "1997 Refunded Bonds") for redemption on and after December 1, 2007, 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, as a result of changed market conditions, it appears to the City Council that debt service savings may be obtained by refunding the 1996A Refunded Bonds and the 1997 Refunded Bonds (collectively, the "Refunded Bonds") through the issuance of limited tax general obligation refunding bonds (the "Bonds"); and

WHEREAS, the City has received the offer of Banc of America Securities LLC to purchase the Bonds on the terms and conditions set forth herein;

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

SECTION 1. Definitions. As used in this ordinance, the following words shall have the following meanings, unless a different meaning clearly appears from the context:

"Bond Account" means the "City of University Place Limited Tax General Obligation Bond Redemption Account, 2005" authorized to be created in the Debt Service Fund by Section 5 of this ordinance.

"Bond Insurance Policy" means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds, as provided therein.

"Bond Register" means the registration records for the Bonds maintained by the Bond Registrar.

"Bond Registrar" means the fiscal agency of the State of Washington, in New York, New York, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying principal of and interest on the Bonds.

"Bonds" means the \$5,670,000 principal amount of the City of University Place, Washington, Limited Tax General Obligation Refunding Bonds, 2005, issued pursuant to this ordinance.

"City" means the City of University Place, Washington, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

"Code" means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department of the Internal Revenue Service, to the extent applicable to the Bonds.

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

"DTC" means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

"Escrow Agreement" means the Escrow Deposit Agreement to be dated as of the date of closing of the Bonds authorized to be entered into pursuant to Section 11.

"Government Obligations" means those obligations now or hereafter defined as such in Chapter 39.53 RCW, as such chapter may be hereafter amended or restated.

"Insurer" means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York.

"Letter of Representations" means the Blanket Letter of Representations from the City to DTC.

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

"1996A Bonds" means the Limited Tax General Obligation Bonds, 1996 Series A of the City, issued under date of July 15, 1996 pursuant to Ordinance No. 110 passed by the Council on July 15, 1996, and presently outstanding in the principal amount of \$2,190,000.

"1996A Refunded Bonds" means the 1996A Bonds maturing on and after December 1, 2007.

"1997 Bonds" means the Limited Tax General Obligation Bonds, 1997 of the City, issued under date of August 15, 1997 pursuant to Ordinance No. 163 passed by the Council on August 19, 1997, and presently outstanding in the principal amount of \$4,125,000.

"1997 Refunded Bonds" means the 1997 Bonds maturing on and after December 1, 2008.

"NRMSIR" means a nationally-recognized municipal securities information repository.

"Refunded Bonds" means, collectively, the 1996A Refunded Bonds and the 1997 Refunded Bonds.

"Refunding Account" means the account by that name established within the Bond Account pursuant to Section 11 of this ordinance.

"Registered Owner" means the person in whose name a Bond is registered on the Bond Register. For so long as the City utilizes the book-entry system for the Bonds, DTC shall be deemed to be the Registered Owner.

"Rule" means the Securities and Exchange Commission's Rule 15c2-12 under the Securities Exchange Act of 1934.

"SID" means a state information repository for the State of Washington (if one is created).

"Underwriter" means Banc of America Securities LLC, Seattle, Washington.

SECTION 2. Authorization of Bonds. The City shall issue limited tax general obligation bonds in the principal amount of \$5,670,000 to refund the Refunded Bonds and pay all costs incidental thereto and to the issuance of such refunding bonds. Such bonds shall be designated the "City of University Place, Washington Limited Tax General Obligation Refunding Bonds, 2005" (the "Bonds").

The Bonds shall be dated as of the date of delivery; shall be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately and in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification and control; shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates set forth below from their date, until the Bonds have been paid or their payment duly provided for, payable on December 1, 2005, and semiannually thereafter on the first day of each June and December and shall mature on December 1 of each year as follows:

Maturity Year (December 1)	Principal Amount	Interest Rate
2005	\$ 130,000	3.00%
2006	50,000	3.00
2007	195,000	3.00
2008	470,000	3.25
2009	490,000	3.25
2010	505,000	3.50
2011	520,000	3.75
2012	535,000	3.75
2013	555,000	4.00
2014	580,000	3.85
2015	600,000	3.90
2016	625,000	3.95
2017	415,000	4.05

SECTION 3. Registration, Exchange and Payments.

(a) *Registrar/Bond Register.* The City hereby adopts the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agency of the State of Washington in New York, New York, as registrar, authenticating agent, paying agent and transfer agent (the "Bond Registrar"). The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Bonds (the "Bond Register"), which shall be open to inspection by the City. 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 on the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar may deem and treat the Registered Owner of each Bond as the absolute owner for all purposes, 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 3(h) hereof, but such registration may be transferred as herein provided. All such payments made as described in Section 3(h) shall be valid and shall satisfy the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* The Bonds shall initially be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations (the "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 with respect to the Bonds for the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice that 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), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes, and all references in this ordinance to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in any Bonds.

(d) *Use of Depository.*

(i) The Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with a single Bond for each maturity in a denomination equal to the total principal amount of such maturity. Registered ownership of such immobilized 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 City pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

(ii) 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 to discontinue 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.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the City, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or substitute depository, or its nominee, all as specified in such written request of the City.

(iv) 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 City determines that it is in the best interest of the beneficial owners of the Bonds that the Bonds be provided in certificated form, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The City shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds in certificated form, to issue Bonds in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds, together with a written request on behalf of the City to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are provided in such written request.

(e) *Transfer or Exchange of Registered Ownership; Change in Denominations.* The registered ownership of any Bond may be transferred or exchanged, but no transfer of any 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, 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 transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

(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 member of, or in any other capacity with respect to, any committee formed to protect the rights of the Registered Owners of the Bonds.

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

(h) *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. For so long as all Bonds are in fully immobilized form, payments of principal and interest shall be made 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 in fully immobilized form, 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 15th day of the month preceding the interest payment date, and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

SECTION 4. Redemption and Purchases.

(a) *Optional Redemption.* The City hereby reserves the right to redeem the outstanding Bonds maturing on and after December 1, 2015 in whole or in part (maturities to be selected by the City within a maturity in such manner as DTC or the Bond Registrar, as appropriate, shall determine) on June 1, 2015, and on any date thereafter, at par, plus accrued interest to the date of redemption.

(b) *Partial Redemption.* If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar, there shall be issued to the Registered Owner, without charge, for the then unredeemed balance of the principal amount, a new Bond or Bonds, at the option of the Registered Owner, of like series, maturity and interest rate in any authorized denomination.

(c) *Notice of Redemption.* Written notice of any redemption of Bonds shall be given by the Bond Registrar on behalf of the City by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date to the Registered Owners of Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the Bonds are in book-entry form, notice of redemption shall be given as provided in the Letter of Representations.

The requirements of this section shall be deemed complied with when notice is mailed, whether or not it is actually received by the owner.

Each notice of redemption shall contain the following information: (1) the redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption price will become due and payable upon each Bond or portion called for redemption, and that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of interest for each Bond being redeemed, (9) the date of the notice, and (10) any other information needed to identify the Bonds being redeemed.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(d) *Effect of Redemption.* Unless the City has revoked a notice of redemption, the City shall transfer to the Bond Registrar amounts that, in addition to other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. From the redemption date interest on each Bond to be redeemed shall cease to accrue.

(e) *Amendment of Notice Provisions.* The foregoing notice provisions of this section, 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.

(f) *Purchase on Open Market.* The City reserves the right to purchase any of the Bonds in the open market at any time and at any price.

SECTION 5. Creation of Bond Account and Provision for Tax Levies. A special account of the City known as the "City of University Place Limited Tax General Obligation Bond Redemption Account, 2005" (the "Bond Account"), is hereby authorized to be created in the Debt Service Fund. The Bond Account shall be drawn upon for the sole purpose of paying the principal of and interest on the Bonds.

The City hereby irrevocably covenants for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and pay into the Bond Account (on or before the date due) an amount that will be sufficient to pay the principal of and interest on the Bonds as the same shall become due. None of the money in the Bond Account shall be used for any other purpose than the payment of the principal of and interest on the Bonds. Money in the Bond Account not needed to pay the interest or principal next coming due may temporarily be deposited in such institutions or invested in such obligations as may be lawful for the investment of City money. Any interest or profit from the investment of such money shall be deposited in the Bond Account.

The City hereby irrevocably pledges that, to the extent it does not have other sufficient funds to repay the Bonds, it will levy an ad valorem tax upon all the property within the City subject to taxation, within and as a part of the tax levy permitted to cities without a vote of the people, in an amount sufficient to repay the Bonds. A sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

SECTION 6. Bonds Deemed To Be No Longer Outstanding. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Account or in another special account, held in trust by a trustee, cash or noncallable government obligations, as such obligations are now or hereafter defined in RCW 39.53, or any combination of cash and/or noncallable government obligations, in amounts and maturities that, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Account for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

SECTION 7. Tax Covenant; Special Designation. The City covenants to undertake all actions required to maintain the tax-exempt status of interest on the Bonds under Section 103 of the Code. The City hereby designates the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions.

SECTION 8. Lost or Destroyed Bonds. If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like series, amount, maturity and tenor to the Registered Owner upon the owner paying the expenses and charges of the Bond Registrar and the City in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to both.

SECTION 9. Form of the Bonds. The Bonds shall be in substantially the following form:

[STATEMENT OF INSURANCE]
UNITED STATES OF AMERICA

NO. _____ \$ _____

STATE OF WASHINGTON
CITY OF UNIVERSITY PLACE
LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2005

INTEREST RATE: _____ MATURITY DATE: _____ CUSIP NO: _____
REGISTERED OWNER: _____
PRINCIPAL AMOUNT: _____ DOLLARS

The City of University Place, Washington, a municipal corporation organized and existing under the laws and Constitution of the State of Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount specified above, unless redeemed prior thereto as provided herein, together with interest on such Principal Amount 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 December 1, 2005, and semiannually thereafter on each June 1 and December 1 until payment of the principal sum has been made or duly provided for. Both principal of and interest on this Bond are payable in lawful money of the United States of America. For so long as this Bond is held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations from the City to DTC. In the event that this Bond is no longer held in fully immobilized form, interest on this Bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of this Bond shall be payable upon presentation and surrender of this Bond by the Registered Owner at the principal office of the fiscal agency of the State of Washington in New York, New York (the "Bond Registrar").

This Bond is one of an issue of limited tax general obligation refunding bonds of the City of like date and tenor, except as to number, interest rate and date of maturity, in the aggregate principal amount

of \$5,670,000 (the "Bonds"), issued pursuant to Ordinance No. ____ of the City, passed March 21, 2005 (the "Bond Ordinance"), to refund certain outstanding limited tax general obligations of the City.

The Bonds are subject to optional redemption as provided in the Bond Ordinance.

The City has designated the Bonds as "qualified tax-exempt obligations" for purchase by financial institutions.

In the Bond Ordinance, the City has irrevocably covenanted that it will annually include in its budget and levy taxes, within and as a part of the tax levy permitted to cities without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this Bond 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 for payment of principal of and interest on the Bonds may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

The Bonds are issued in fully registered form in the denomination of \$5,000 each or any integral multiple thereof, provided that no bond shall represent more than one maturity. Upon surrender to the Bond Registrar, bonds are interchangeable for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. This Bond is transferable only on the records maintained by the Bond Registrar for that purpose upon the surrender of this Bond by the registered owner hereof or his/her duly authorized agent and only if endorsed in the manner provided hereon, and thereupon a new fully registered bond of like principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor. Such exchange or transfer shall be without cost to the registered owner or transferee. The City may deem the person in whose name this Bond is registered to be the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Bond and for any and all other purposes whatsoever.

Reference is made to the Bond Ordinance as more fully describing the covenants with and the rights of Registered Owners of the Bonds or registered assigns and the meanings of capitalized terms appearing on this Bond which are defined in such ordinance.

This Bond shall 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 shall have been manually signed by the Bond Registrar.

It is hereby certified and declared that this Bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this Bond and the Bonds have happened, been done and performed, and that this Bond and the Bonds do not exceed any constitutional or statutory limitations.

IN WITNESS WHEREOF, the City of University Place, Washington, has caused this Bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor and to be attested by the manual or facsimile signature of the Clerk of the City, as of this ____ day of _____, 2005.

CITY OF UNIVERSITY PLACE, WASHINGTON
By _____ /s/ manual or facsimile
Mayor

ATTEST:

/s/ manual or facsimile
City Clerk

The Certificate of Authentication for the Bonds shall be in substantially the following form and shall appear on each Bond:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This is one of the City of University Place, Washington, Limited Tax General Obligation Refunding Bonds, 2005, dated _____, 2005, as described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY, as
Bond Registrar
By _____
Authorized Signatory

SECTION 10. Execution of the Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk. In case either or both of the officers who have signed or attested any of the Bonds cease to be such officer before such Bonds have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed or attested such Bonds had not ceased to be such officers, and any Bond may be signed or attested on behalf of the City by officers who at the date of actual execution of such Bond are the proper officers, although at the nominal date of execution of such Bond such officer was not an officer of the City.

Only Bonds that bear a Certificate of Authentication in the form set forth in Section 9, 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 and are entitled to the benefits of this ordinance.

SECTION 11. Refunding Plan and Procedures

(a) *Refunding Plan.* For the purpose of realizing a debt service savings and benefiting the taxpayers of the City, the Council proposes to issue refunding bonds for the purpose of providing for the payment of the principal of and interest on and the redemption price of the 1996A Refunded Bonds on December 1, 2006 and the 1997 Refunded Bonds on December 1, 2007 (the "Refunding Plan").

(b) *Refunding Account.* There is hereby authorized to be created in the City of University Place Limited Tax General Obligation Bond Redemption Fund, 2005, an account known as the "Refunding Account," which account is to be drawn upon for the sole purpose of paying the principal of and interest on the Refunded Bonds until their date of redemption and of paying costs related to the refunding of the Refunded Bonds.

The proceeds of sale of the Bonds shall be credited to the Refunding Account.

Money in the Refunding Account shall be used immediately upon receipt to defease the Refunded Bonds as authorized by Ordinance Nos. 110 and 163 and to pay costs of issuance. The City shall defease the Refunded Bonds and discharge such obligations by the use of money in the Refunding Account to purchase 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:

(i) interest on the 1996A Refunded Bonds due and payable through and including December 1, 2006; and

(ii) the redemption price of the 1996A Refunded Bonds (100% of the principal amount thereof) on December 1, 2006; and

(iii) interest on the 1997 Refunded Bonds due and payable through and including December 1, 2007; and

(iv) the redemption price of the 1997 Refunded Bonds (100% of the principal amount thereof) on December 1, 2007.

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.

(c) *Escrow Agent/Escrow Agreement.* To carry out the advance refunding and defeasance of the Refunded Bonds, the Deputy City Manager or Director of Finance is hereby authorized to appoint as escrow agent a bank or trust company qualified by law to perform the duties described herein and to enter into an escrow agreement (the "Escrow Agent"). A beginning cash balance, if any, and Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to

debase the Refunded Bonds. The proceeds of the Bonds remaining in the Refunding Account 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 expenses of the issuance of the Bonds.

(d) *Implementation of Refunding Plan.* The City hereby irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds of the Refunded Bonds to make the payments described in subsection (b) of this Section.

The City hereby irrevocably calls the 1996A Refunded Bonds for redemption on December 1, 2006 in accordance with the provisions of Ordinance No. 110, authorizing the redemption and retirement of the 1996A Refunded Bonds prior to their fixed maturities. The City hereby irrevocably calls the 1997 Refunded Bonds for redemption on December 1, 2007 in accordance with the provisions of Ordinance No. 163, authorizing the redemption and retirement of the 1997 Refunded Bonds prior to their fixed maturities. Said defeasances and calls for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the escrow account 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 the redemption of the Refunded Bonds in accordance with the applicable provisions of Ordinance Nos. 110 and 163. 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 fiscal agency or agencies of the State of Washington, sums sufficient to pay, when due, the payments specified in of subsection (b). All such sums shall be paid from the money and Acquired Obligations deposited with said Escrow Agent pursuant to this ordinance, and the income therefrom and proceeds thereof. All such sums so paid shall be credited to the Refunding Account. All money and Acquired Obligations deposited with the bank and any income therefrom shall be held, invested (but only at the direction of the Director of Finance) and applied in accordance with the provisions of this ordinance and with the laws of the State of Washington for the benefit of the City and owners of the Refunded Bonds.

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

SECTION 12. Sale of the Bonds. The Council finds that the purchase agreement that has been distributed to the Council is reasonable and that it is in the best interest of the City that the Bonds shall be sold to Banc of America Securities LLC (the "Underwriter") upon the conditions set forth in the purchase agreement. The City accepts the purchase agreement and authorizes the Deputy City Manager or Director of Finance to execute the purchase agreement and deliver it to the Underwriter. The Bonds shall be issued and delivered to the Underwriter upon payment of the purchase price specified in the purchase agreement.

SECTION 13. Official Statement. The City approves the preliminary official statement presented to the Council and ratifies the Underwriter's distribution of the preliminary official statement in connection with the offering of the Bonds. The City authorizes the Underwriter to use the official statement, substantially in the form of the preliminary official statement, in connection with the sale of the Bonds. The Deputy City Manager and the Director of Finance are hereby authorized to review and approve on behalf of the City the final Official Statement relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them.

SECTION 14. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the City's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the SEC in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2006 for the fiscal year ended December 31, 2005):

(i) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the City's general fund prepared in accordance with generally accepted accounting principles applicable to government entities (and modified as may be required by the Washington State Auditor pursuant to RCW 43.09.200 or any successor statute);

- (ii) The assessed valuation of taxable property in the City;
- (iii) Ad valorem taxes due and percentage of taxes collected;
- (iv) Property tax levy rate per \$1,000 of assessed valuation; and
- (v) Outstanding general obligation debt of the City.

Items (ii) through (v) shall be required only to the extent that such information is not included in the information provided pursuant to item (i) above.

Such annual financial information and operating data described above shall be provided on or before nine months after the end of the City's fiscal year. The City's fiscal year currently ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIRs and the SID, or filed with the SEC and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with generally accepted accounting principles (and modified as may be required by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute)), when and if available, to each then existing NRMSIR and the SID, if any.

(c) *Material Events.* The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to the rights of Bond owners;
- (viii) Optional, contingent or uncheduled calls of any Bonds other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

(d) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of its failure to provide the annual financial information and operating data described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) *Termination/Modification.* The City's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This section, or any provision hereof, shall be null and void if the City (i) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this section, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (ii) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this section.

Notwithstanding any other provision of this ordinance, the City may amend this Section 14, and any provision of this Section 14 may be waived, with an approving opinion of nationally recognized bond counsel.

In the event of any amendment or waiver of a provision of this Section 14, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (c) of this Section 14, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(f) *Bond Owner's Remedies under this Section.* Notwithstanding any other provisions of this ordinance, the right of any Bond owner or Beneficial Owner of the Bonds to enforce the provisions of this Section 14 shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this section shall not be an event of default with respect to the Bonds under this ordinance. For purposes of this Section 14, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

SECTION 15. Bond Insurance.

(a) *Acceptance of Insurance.* In accordance with the offer of Banc of America Securities LLC to purchase the Bonds, the Council hereby approves the commitment of the Insurer to provide a bond insurance policy guaranteeing the payment when due of principal of and interest on the Bonds (the "Bond Insurance Policy"). The Council further authorizes and directs all proper officers, agents, attorneys and employees of the City to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the City as shall be necessary or advisable in providing for the Bond Insurance Policy.

(b) *Payments Under the Bond Insurance Policy.* In the event that, on the payment date of the Bonds, the City or the Bond Registrar determines that there will not be sufficient money available in the Bond Account to pay all principal of and interest on the Bonds due on such payment date, the City or the Bond Registrar shall immediately notify the Insurer or its designee on the same day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency. If the deficiency is made up in whole or in part, the Bond Registrar shall so notify the Insurer or its designee.

In addition, if the Bond Registrar has notice that any Bondholder has been required to disgorge payments of principal or interest on the Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Bond

Registrar shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

The Bond Registrar is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Bondholders as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Bond Registrar shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the Bond Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Bondholders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Bondholders (and not as Bond Registrar) in accordance with the tenor of the Bond Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Bondholders; and

(2) If and to the extent of a deficiency in amounts required to pay principal of any Bonds, the Bond Registrar shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Bondholder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Bond Registrar and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Bondholders (and not as Bond Registrar) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Bondholders.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Bond Registrar from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the City with respect to such Bonds, and the Insurer shall become the owner of such unpaid interest and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

Irrespective of whether any such assignment is executed and delivered, the City and the Bond Registrar hereby agree for the benefit of the Insurer that:

(1) They recognize that to the extent the Insurer makes payments directly or indirectly (as by paying through the Bond Registrar), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such Bondholders to receive the amount of such principal and interest for the City, with interest thereon as provided and solely from the sources stated in this ordinance and the Bonds; and

(2) They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this ordinance and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bond to Bondholders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(c) *Rights of Insurer.*

(1) In connection with the issuance of additional general obligation bonds, the City shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional bonds.

(2) Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Insurer shall be sent to Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc.

(3) The Insurer shall receive notice of the resignation or renewal of the Bond Registrar and the appointment of a successor, other than the designated state fiscal agent.

(4) The Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis (or as soon as available from the office of the State Auditor) copies of the City's audited financial statements, and annual budget.

(5) Any notice that is required to be given to a holder of Bonds or to the Bond Registrar pursuant to this ordinance shall also be provided to the Insurer. All notices required to be given to the Insurer under this ordinance shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

(6) The City agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including reasonable attorneys' fees and expenses, incurred by the Insurer in connection with (i) enforcement by the Insurer of the City's obligations, or the preservation or defense of any rights of the Insurer, under this ordinance and any other document executed in connection with the issuance of the Bonds, and (ii) any consent, amendment, waiver or other action with respect to this ordinance or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a reasonable fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

(7) The City agrees not to use the Insurer's name in any published document including, without limitation, a press release or presentation, announcement or forum without the Insurer's prior consent; *provided* that the City may use the Insurer's name in any general or particular factual statement to the effect that the Insurer insures certain outstanding City bonds. In the event that the City is advised by counsel that it has a legal obligation to disclose the Insurer's name in any press release, public announcement or other published document, the City shall provide the Insurer with at least three business days' prior written notice of its intent to use the Insurer's name together with a copy of the proposed use of the Insurer's name and of any description of a transaction with the Insurer and shall obtain the Insurer's prior consent as to the form and substance of the proposed use of the Insurer's name and any such description. The foregoing shall not apply to any request for public records duly received by the City pursuant to RCW Ch. 42.17, and the City shall not be obligated to notify the Insurer of its intent to comply with any public disclosure request.

(8) The City shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior consent of the Insurer.

The provisions of this section shall be in effect only so long as the Bond Insurance Policy is in full force and effect.

SECTION 16. General Authorization; Ratification of Prior Acts. The Deputy City Manager, Director of Finance 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 17. 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 provisions of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

SECTION 18. Effective Date. This ordinance shall be effective five days after its passage, approval and publication as provided by law.

PASSED by the Council of the City of University Place, Washington, at a regular meeting thereof, held this [21st] day of [March], 2005.

CITY OF UNIVERSITY PLACE, WASHINGTON

Ken Grassi
Ken Grassi, Mayor

ATTEST:

Sarah Ortiz
Sarah Ortiz, CMC, City Clerk

APPROVED AS TO FORM:

Nancy M. Meas
Preston Gates & Ellis LLP

FILED WITH THE CITY CLERK: March 21, 2005

PASSED BY THE CITY COUNCIL: March 21, 2005

PUBLISHED: March 23, 2005

EFFECTIVE DATE: March 28, 2005

ORDINANCE NO.: 439

CERTIFICATE

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

1. That the attached ordinance is a true and correct copy of Ordinance No. 439 of the City (the "Ordinance"), as finally passed at a regular meeting of the City Council of the City held on [March 21], 2005 and duly recorded in my office.

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 quorum of the Council 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 said Ordinance; that all other requirements and proceedings incident to the proper adoption or passage of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

DATED this [21st] day of [March], 2005.



Sarah Ortiz, CMC, City Clerk

OFFICIAL DOCUMENT