

## ORDINANCE NO. 163

AN ORDINANCE OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY IN THE PRINCIPAL SUM OF \$5,500,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REPAY INTERIM FINANCING THAT WAS ISSUED TO ACQUIRE PROPERTY FOR GENERAL GOVERNMENT AND PARK PURPOSES, AND TO MAKE PRELIMINARY IMPROVEMENTS TO SUCH PROPERTY; PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF THE BONDS; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE OF SUCH BONDS; PROVIDING FOR THE REPAYMENT OF THE BONDS; AND PROVIDING FOR THE SALE THEREOF.

WHEREAS, by Ordinance No. 161 adopted June 30, 1997, the City of University Place issued a Limited Tax General Obligation Bond Anticipation Note, 1997 in the principal amount of not to exceed \$5,500,000 (the "Note") to acquire and make preliminary improvements to property at Bridgeport Way and Cirque Drive in the City for park purposes, and acquire and make preliminary improvements to property adjacent to the City Hall for general government and park purposes; and

WHEREAS, in order to provide the funds required to repay the Note, the City now desires to authorize the issuance of limited tax levy general obligation bonds in the principal amount of \$5,500,000 and to authorize the sale of such bonds;

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, 1997" in the Debt Service Fund created by Section 5 of this ordinance.

"Bond Insurer" means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

"Bond Insurance Policy" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

"Bond Register" means the books or records maintained by the Bond Registrar for the registration and transfer of the Bonds containing the name and mailing address of the owner of each Bond or nominee of such owner and such other information as the Bond Registrar shall determine.

"Bond Registrar" means the fiscal agency of the State of Washington, in either Seattle, Washington or 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 \$5,500,000 principal amount of the City of University Place, Washington, Limited Tax General Obligation Bonds, 1997, issued pursuant to and for the purposes provided in 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.

"Commission" means the Securities and Exchange Commission.

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

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

"Note Account" means the Limited Tax General Obligation Bond Anticipation Note Account, 1997 in the Debt Service Fund, established pursuant to Section 4 of Ordinance No. 161.

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

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

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

SECTION 2. Authorization of Bonds. The City hereby authorizes the issuance and sale of the Bonds in the aggregate principal amount of \$5,500,000 to provide money to repay the Note and to pay the costs of issuance of the Bonds. The Bonds shall be general obligations of the City; shall be designated "City of University Place, Washington, Limited Tax General Obligation Bonds, 1997"; shall be dated August 15, 1997; 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 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, 1997, and semiannually thereafter on the first day of each June and December and shall mature on December 1 of each year as follows:

<u>Maturity Year</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
1998	\$ 175,000	3.90%
1999	180,000	4.15
2000	185,000	4.25
2001	195,000	4.35
2002	205,000	4.45
2003	215,000	4.55
2004	220,000	4.65
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

SECTION 3. Registration; Transfers. The City hereby specifies and adopts the system of registration for the Bonds approved by the State Finance Committee, and the fiscal agencies of the State of Washington in the cities of Seattle, Washington, and New York, New York, shall act as authenticating trustee, transfer agent, paying agent and registrar for the Bonds (collectively, 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 which shall at all times 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. The Bond Registrar may become the owner of any 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 a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners.

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 check or draft of the Bond Registrar mailed (on the date such interest is due) to the registered owners or nominees at the addresses appearing on the Bond Register on the fifteenth day of the month preceding each interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds to the Bond Registrar by the registered owners or nominees at the principal offices of the Bond Registrar in the cities of Seattle, Washington, or New York, New York.

The Bonds may be transferred only on the Bond Register maintained by the Bond Registrar for that purpose upon the surrender thereof by the registered owner or nominee or his/her duly authorized agent and only if endorsed in the manner provided thereon, and

thereupon a new fully registered Bond of like principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor. Upon surrender thereof to the Bond Registrar, the Bonds are interchangeable for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rates and maturities. Such transfer or exchange shall be without cost to the registered owner or transferee.

The City may deem the person in whose name each Bond is registered to be the absolute owner thereof for the purpose of receiving payment of the principal of and interest on such Bonds and for any and all other purposes whatsoever.

SECTION 4. Optional Redemption; Purchases.

A. Optional Redemption. The City hereby reserves the right to redeem the outstanding Bonds in whole or in part (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar shall determine) on any date on or after December 1, 2007, at par, plus accrued interest to the date of redemption.

B. Notice of Call. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state: (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 respective principal amounts) of the Bonds to be redeemed; (4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

On or prior to any redemption date, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date. The requirements of this section shall be deemed to be complied with when notice is mailed as provided, whether or not it is actually received by the owner of any Bond.

C. Effect of Call. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued.

D. Partial Redemption of Bonds. Portions of any Bond, in installments of \$5,000 or any integral multiple of such \$5,000, may be redeemed in accordance with the schedule set forth above. 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 therefor, for the then unredeemed balance of the principal amount thereof, a new Bond or Bonds of like maturity and interest rate in any of the denominations authorized by this ordinance.

E. Additional Redemption Notice. In addition to the foregoing notice, further notice shall be given by the Bond Registrar on behalf of the City as set forth below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above described.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus: (i) the CUSIP numbers, if any, of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at 35 days before the redemption date to the SID, if any, and to each NRMSIR or to the MSRB in accordance with Section 15 and may be sent to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds.

(3) 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 (if any) identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

F. Purchase of Bonds In Open Market. The City further reserves the right to purchase any Bonds in the open market.

SECTION 5. Creation of Bond Account and Provision for Tax Levy Payments. A special account of the City known as the "City of University Place Limited Tax General Obligation Bond Redemption Account, 1997" (the "Bond Account") is hereby authorized to be created in the Debt Service Fund in the office of the Finance Manager of the City. 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 and agrees for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and levy an ad valorem tax, within and as a part of the tax millage levy permitted to cities without a vote of the people, upon all the property within the City subject to taxation in an amount which will be sufficient, together with other available money, to pay the principal of and interest on the Bonds as the same shall

become due. All of such taxes and any of such other money so collected shall be paid into the Bond Account. 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 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 said taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

SECTION 6. Defeasance. In the event that money and/or "Government Obligations," as such Obligations are now or may hereafter be defined in Chapter 39.53 RCW, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bonds or a portion of the Bonds in accordance with their terms, are set aside in a special account to effect such redemption or retirement and such money and the principal of and interest on such 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 the Bonds so provided for and such Bonds shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the funds so set aside and pledged, and such Bonds shall be deemed not to be outstanding hereunder. Within 60 days after any defeasance of Bonds hereunder, the City shall provide or cause to be provided notice of such defeasance to registered owners and to each NRMSIR and SID, if any, in accordance with Section 15.

SECTION 7. Arbitrage Covenant. The City hereby covenants with the owners of the Bonds for as long as they remain outstanding that it will not make use of the proceeds of sale of



the Bonds or any other funds or obligations of the City which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder (the "Code") which, if such use had reasonably been expected on the date of delivery of the Bonds to the initial purchaser thereof, would have caused the Bonds to be "arbitrage bonds" within the meaning of said section and said regulations. The City will comply with the requirements of Section 148 of the Code throughout the term of the Bonds.

SECTION 8. Lost or Destroyed Bonds. In case the Bonds or any of them shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like amount, date, and tenor to the registered owner thereof upon the owner paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon his/her filing with the Finance Manager of the City and the Bond Registrar evidence satisfactory to said Finance Manager and Bond Registrar that such Bond or Bonds were actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City and Bond Registrar with indemnity satisfactory to the Finance Manager and Bond Registrar.

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

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to The Bank of New York, New York, New York, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

UNITED STATES OF AMERICA

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

\$ \_\_\_\_\_

STATE OF WASHINGTON  
CITY OF UNIVERSITY PLACE  
LIMITED TAX GENERAL OBLIGATION BOND, 1997

INTEREST RATE:

MATURITY DATE:

CUSIP NO:

SEE REVERSE SIDE FOR

ADDITIONAL PROVISIONS

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The City of University Place, Washington, a municipal corporation organized and existing under and by virtue of 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, 1997, 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. Interest on this bond is payable by check or draft of the Bond Registrar mailed (on the date such interest is due) to the Registered Owner hereof at the address appearing on the records maintained by the Bond Registrar as of the fifteenth day of the month preceding the interest payment date. Principal shall be paid to the Registered Owner hereof upon presentation and surrender of this bond at the principal offices of the fiscal agency of the State of Washington in Seattle, Washington or New York, New York (collectively, the "Bond Registrar").

Reference is hereby made to additional provisions of this bond set forth on the reverse side hereof and such additional provisions shall for all purposes have the same effect as if set forth in this space. Reference also is made to Ordinance No. \_\_\_\_\_ (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.

The City hereby irrevocably covenants and agrees with the owner of this bond that it will include in its annual budget and levy taxes annually, 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 all 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.

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 of this issue have happened, been done and performed, and that this bond and the bonds of this issue 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, to be attested by the manual or facsimile signature of the Clerk of the City, and the seal of the City to be reproduced or impressed hereon, as of this 15th day of August, 1997.

CITY OF UNIVERSITY PLACE,  
WASHINGTON

By \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Clerk of the City

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

CERTIFICATE OF AUTHENTICATION

Date of Authentication: \_\_\_\_\_

This bond is one of the bonds described in the within-referenced Ordinance No. \_\_\_\_\_ of the City of University Place, Washington, and is one of the Limited Tax General Obligation Bonds, 1997, dated August 15, 1997.

WASHINGTON STATE FISCAL  
AGENCY, as Bond Registrar

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

ADDITIONAL BOND PROVISIONS

This bond is one of an issue of limited tax general obligation 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 \$5,500,000, issued pursuant to Ordinance No. \_\_\_\_\_ of the City, passed August 19 1997 (the "Bond Ordinance"), to provide financing for repaying interim financing that was issued to acquire property for general government and park purposes, and making preliminary improvements to such property.

The City hereby reserves the right to redeem the outstanding bonds in whole or in part (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar shall determine) on any date on or after December 1, 2007, at par, plus accrued interest to the date of redemption.

Notice of any call for redemption shall be given not less than 30 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. The requirements of the Bond Ordinance shall be deemed to have been complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the owner of any bond.

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 have been designated as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986.

The bonds of this issue 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.

#### ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE \_\_\_\_\_

(Please print or typewrite name and address, including zip code of Transferee)

the within bond and all rights thereunder and does hereby irrevocably constitute and appoint \_\_\_\_\_ of \_\_\_\_\_, or its successor, as Agent to transfer said bond on the books kept by the Bond Register for registration thereof, with full power of substitution in the premises.

DATED: \_\_\_\_\_, \_\_\_\_\_.

SIGNATURE GUARANTEED:

\_\_\_\_\_

NOTE: The signature of this Assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SECTION 10. Execution of the Bonds. The Bonds shall be signed on behalf of the City by the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile signature of the City Clerk, and shall have a facsimile of the official corporate seal of the City reproduced or impressed thereon.

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

In case either of the officers of the City who shall have executed the Bonds shall cease to be such officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may also be signed and attested on behalf of the City by such persons as

at the actual date of execution of such Bond shall be the proper officers of the City although at the original date of such Bond any such person shall not have been such officer.

SECTION 11. Application of Proceeds of Bonds. At the time of delivery of the Bonds, the proceeds of the Bonds shall be deposited as follows:

(a) The accrued interest, if any, to the date of delivery shall be deposited to the Bond Account and used to pay a portion of interest on the Bonds on December 1, 1997.

(b) The proceeds of the Bonds shall be deposited into the Note Account and used to repay the Note and to pay all costs of issuing the Bonds.

Money remaining in the Note Account after all of such costs have been paid or reimbursed may be deposited into the City's Park Capital Improvement Fund and used to pay costs of other legally authorized capital expenditures of the City or shall be deposited in the Bond Account.

SECTION 12. Sale of the Bonds. The City Council finds and determines that the Purchase Contract that is attached to this ordinance and incorporated herein by this reference is fair and reasonable and in the best interest of the City and that the Bonds shall be sold upon the terms and conditions set forth in the Purchase Contract and upon the basis of the representations therein set forth. The City hereby accepts the Purchase Contract and hereby authorizes and directs the Mayor to execute the Purchase Contract and deliver it to Bank of America National Trust and Savings Association, doing business as Seafirst Bank (the "Purchaser"). The Bonds shall be issued and delivered to the Purchaser upon payment of the purchase price specified in the Purchase Contract, plus accrued interest from their date to the date of delivery.

The Mayor, Finance Manager or City Manager are authorized to execute and deliver to the Purchaser copies of an Official Statement in substantially the form of the Preliminary Official Statement dated July 29, 1997; provided, however, that the Mayor, Finance Manager or City Manager are authorized to supplement or amend the Official Statement as the Mayor, Finance Manager or City Manager, with the approval of bond counsel to the City, deems necessary or appropriate. The City Council represents and warrants to the Purchaser that the Preliminary

Official Statement was "deemed final" by the City as of the date thereof within the meaning of paragraph 17 C.F.R. § 240.15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12), except for the omission of such information as may be permitted by Rule 15c2-12. The City Council approves and authorizes the use of such Official Statement (including any such supplements and amendments thereto) in connection with the public offering and sale of the Bonds by the Purchaser.

SECTION 13. Special Designation. The City hereby designates the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

SECTION 15. 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. The City agrees to provide to each person upon request or to the SID, if any, a copy of its latest publicly available annual financial statements prepared in accordance with the Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the official statement for the Bonds under the heading "Comparative Statement of General Fund Revenues and Expenditures."

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:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves, if any, for the Bonds reflecting financial difficulties;
4. Unscheduled draws on credit enhancements, if any, for the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, if any, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to the rights of Bond owners;
8. Optional redemption of Bonds prior to their maturity;
9. Defeasances;
10. Release, substitution or sale of property, if any, securing repayment of the Bonds; and
11. Rating changes.

With reference to items 3 and 10 above, no debt service reserves secure payment of the Bonds and no property secures repayment of the Bonds. If the City subsequently chooses to establish any debt service reserves as security for the Bonds, the City will provide notice of such establishment or provision and will provide notice of material events relating thereto, should such events occur. There are no non-payment related defaults.

D. Termination/Modification. The City's obligations to provide 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: (1) 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 (2) 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 15, and any provision of this Section 15 may be waived, provided that the following conditions are satisfied:

1. If the amendment or waiver relates to the provisions of Section 15 it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the Bonds, or the type of business conducted;

2. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

3. The amendment or waiver either: (i) is approved by the owners of the Bonds; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

E. Bond Owner's Remedies Under This Section. The right of any Bond Owner or Beneficial Owner of Bonds to enforce the provisions of this section 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 undertaking shall not be an event of default with respect to the Bonds hereunder. For purposes of this section, "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 16. Bond Insurance. The Council hereby accepts the commitment of the Bond Insurer to provide a Bond Insurance Policy.

SECTION 17. Effective Date. This ordinance shall be effective five days after its publication.

PASSED by the City Council of the City of University Place, Washington, this 19th day  
August, 1997.

CITY OF UNIVERSITY PLACE,  
WASHINGTON

Linda Bird  
Linda Bird, Mayor

TEST:

Dawn Matthew  
Dawn Matthew, City Clerk

APPROVED AS TO FORM:

Jancy M. Lucas  
PRESTON GATES & ELLIS LLP

RECORDED WITH THE CITY CLERK: 8/19/97

PASSED BY THE CITY COUNCIL: 8/19/97

PUBLISHED: 8/21/97

EFFECTIVE DATE: 8/26/97

FINANCE NO.: 163

CERTIFICATE

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

1. That the attached ordinance is a true and correct copy of Ordinance No. 163 of the City (herein called the "Ordinance"), as finally passed at a special meeting of the Council of the City held on the 19th of August, 1997, 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 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.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City this 19th day of August, 1997.

  
Susan Matthew, City Clerk