

CITY OF ROSLYN, WASHINGTON

ORDINANCE NO. 1101

AN ORDINANCE of the City Council of Roslyn, Washington, providing for the issuance of a water and sewer revenue bond of the City in the aggregate principal amount of \$808,000 to finance part of the cost of acquiring, constructing and installing certain additions, betterments to and extensions of the City's water and sewerage utility; fixing the date, form, terms, maturities and covenants of said bond; reserving the right of the City to issue revenue bonds in the future on a parity with said bond upon compliance with certain conditions; and providing for the sale of the bond herein authorized.

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WHEREAS, the City of Roslyn, Washington (the "City") now owns, operates and maintains a combined water and sewerage utility (the "Utility") which Utility has been in need of additions and betterments to and extensions to the water facilities of the Utility (the "Project"); and

WHEREAS, the City has heretofore issued its revenue bond anticipation note (the "Note") pursuant to Ordinance No. 1093 (the "Note Ordinance") in order to provide interim financing for the Project in the amount of \$808,000; and

WHEREAS, the City now deems it to be in the best interest of the City to provide for the permanent financing of the Project by the issuance and sale of a water and sewer revenue bond secured by revenues of the Utility (the "Bond"); and

WHEREAS, the United States of America, acting through its Department of Agriculture, (the "Government") has agreed to purchase the Bond pursuant to its Letter of Conditions dated April 24, 2012 [and Statement of Terms dated December 18, 2006];

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ROSLYN, WASHINGTON, ORDAINS as follows:

Section 1.     Definitions. As used in this ordinance the following terms shall have the following meanings:

*Average Annual Debt Service* means the aggregate of all payments of principal and interest coming due during the remaining terms, respectively, of outstanding Parity Bonds, excluding principal maturing in Term Bond Maturity Years, divided by the number of years in which such payments are required to be made.

*Bond* means the \$808,000 par value water and sewer revenue bond of the City issued pursuant to and for the purposes provided in this ordinance.

*Bond Fund* means the Water and Sewer Revenue Bond Fund, 1972 created by Ordinance No. 494.

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

*Code* means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder.

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

*Future Parity Bonds* means any revenue bonds of the City issued after the date of the issuance of the Bonds and having a lien upon the money in the Revenue Fund for the payment of the principal thereof and interest thereon equal to the lien upon such revenue and money for the payment of the principal of and interest on the Outstanding Parity Bonds.

**Government** means the United States of America acting through its Department of Agriculture.

**Government Obligations** means those obligations now or hereafter defined as such in chapter 39.53 RCW.

**Gross Revenue of the Utility** means all of the earnings and revenue received by the City from the maintenance and operation of the Utility of the City or from the investment of moneys received therefrom, except assessments and installments thereof and interest and any penalties thereon levied or collected in any utility local improvement district hereafter created and established to finance any improvements to the Utility of the City, together with all additions thereto and betterments and extensions thereof hereafter made.

**Net Revenue of the Utility** means the Gross Revenue of the Utility, less the operation and maintenance expenses thereof.

**Note** means the City of Roslyn, Washington, Water and Sewer Revenue Bond Anticipation Note, 2013, issued pursuant to the Note Ordinance.

**Note Fund** means the Water and Sewer Revenue Bond Anticipation Note Fund created under authority of the Note Ordinance.

**Note Ordinance** means Ordinance No. 1093 of the City.

**Outstanding Parity Bonds** means the City's Water and Sewer Revenue Bond, 1992, its Water and Sewer Revenue Refunding Bonds, 1994, and its Water and Sewer Revenue Bond, 1998, and its Water and Sewer Revenue Bond, 2007 issued pursuant to Ordinance Nos. 726, 758, 866 and 1014, respectively.

**Parity Bonds** means the Outstanding Parity Bonds, the Bond and any Future Parity Bonds.

***Principal and Interest Account*** means the special account of that name created by Section 4 of Ordinance No. 494 for the purpose of paying the principal of and interest on the Bond and all Parity Bonds.

***Project*** means the plan of additions, betterments and extensions to the Utility as specified in Section 2 of the Note Ordinance.

***Reserve Account*** means the special account of that name created by Section 4 of Ordinance No. 494 for the purpose of securing the payment of the principal of and interest on all Parity Bonds.

***Registrar*** means the Chief Financial Officer of the City as registrar and paying agent for the Bond.

***Revenue Fund*** means the Current Operating Fund of the City.

***Term Bond*** means any Parity Bond maturing in a Term Bond Maturity Year.

***Term Bond Maturity Year*** means any year in which (1) the principal amount of any Parity Bonds maturing exceeds an amount equal to 1.25 times the average amount of Parity Bonds maturing in each of the other years in which Parity Bonds shall have been scheduled to mature and (2) the principal and interest payments required to be made on Parity Bonds exceed an amount equal to 1.25 times the average amount of principal and interest payments required to be made in each of the other years in which such payments are required to be made.

***Utility*** means the combined water and sewer system of the City, established pursuant to Ordinance No. 401 of the City, as the same may be added to, improved or extended by the facilities to be financed out of the proceeds of sale of the Bond, and as such combined system may later be added to, improved or extended for so long as any Parity Bonds remain outstanding.

**Rules of Interpretation.** In this ordinance, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein, “hereunder” and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this ordinance;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Words importing the singular number include the plural number and vice versa.

**Section 2. Authorization of Bond.** For the purpose of providing permanent financing for the Project, the City shall now issue and sell its water and sewer revenue bond (the “Bond”) in the aggregate principal amount of \$808,000.

**Section 3. Description of Bond.** The Bond shall be designated “City of Roslyn, Washington, Water and Sewer Revenue Bond, 2014,” shall be dated as of the date of delivery

thereof to the Government, as the initial purchaser, shall be numbered R-1, and shall be fully registered. The Bond shall bear interest at the rate of 2.75% per annum (computed on the basis of a 365-day year for actual number of days elapsed) and interest shall accrue from the date of issuance of the Bond. Principal of and interest on the Bond shall be payable in annual amortized installments in the amount of \$33,565.00 beginning twelve months following the date of the Bond and annually thereafter, with the last payment to be made not later than the 40th anniversary of the date of the Bond, except that the last payment may be more or less than \$33,565.00 as required to pay the remaining principal and interest due. (If the date of loan closing is the 29th, 30th, or 31st of the month, the due date will be the 28th). If any installment of principal and interest is not paid when due, the City shall be obligated to pay interest on that installment at the same rate provided herein from and after its due date until that installment is paid in full. Payments shall be applied first to interest and then to principal.

Both principal of and interest on the Bond shall be payable in lawful money of the United States of America to the owner or owners thereof at the address appearing on the registration books of the City maintained by the City Treasurer; provided, however, that as long as the Government is the owner and holder of the Bond, the City shall make payments directly to the financial office of the Government serving the Roslyn area. The Bond shall be payable solely from the Gross Revenue of the System and shall not be a general obligation of the City.

As long as the United States of America is the registered owner of the Bond, the City agrees not to defease the Bond

The Bond shall be registered as to both principal and interest as long as any of the installments of the Bond remain unpaid, and the City shall maintain in the office of the City Treasurer books for the registration and transfer of the Bond. No transfer of the Bond so

registered shall be valid unless made on said books upon the written request of the registered owner or the owner's duly authorized agent.

Section 4. Prepayment. The City hereby reserves the right to prepay principal installments remaining unpaid at the price of par plus accrued interest, in whole, or in part in chronological order, at any time. No advance notice of intended prepayment or redemption shall be required.

Section 5. Priority of Payments from Revenue Fund. There has heretofore been created a special fund of the City designated as the "Current Operating Fund" (herein referred to as the "Revenue Fund"). All of the Gross Revenue of the Utility shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the City, and the Gross Revenue of the Utility deposited in such Fund shall be used only for the following purposes and in the following order of priority:

First, to pay the reasonable and necessary costs of maintenance and operation of the Utility;

Second, to pay the interest on any Parity Bonds;

Third, to pay the principal of any Parity Bonds;

Fourth, to make all payments required to be made into any sinking fund or bond retirement account heretofore or hereafter created for the payment of the principal of Parity Bonds;

Fifth, to make all payments required to be made into the Reserve Account for the payment of Parity Bonds;

Sixth, to make all payments required to be made into any revenue bond redemption fund or revenue warrant redemption fund and debt service account or reserve

account created to pay and secure the payment of the principal of and interest on any revenue bonds or revenue warrants of the City having a lien upon the Gross Revenue of the Utility junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

Seventh, to retire by redemption or purchase in the open market any outstanding revenue bonds or revenue warrants of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Utility, or for any other lawful City purposes.

Section 6. Bond Fund. There has heretofore been created a special fund of the City known as the “Water and Sewer Revenue Bond Fund, 1972” (the “Bond Fund”), which Fund is to be drawn upon for the sole purpose of paying the principal of and interest on all Parity Bonds.

A Principal and Interest Account has heretofore been created in the Bond Fund for the purpose of paying the principal of, premium, if any, and interest on all Parity Bonds.

As long as the Bonds remain outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay from the Revenue Fund into the Principal and Interest Account in addition to amounts required to be paid therein on account of any other issue of Parity Bonds, those amounts necessary, after taking into consideration such other funds as are on hand in the Principal and Interest Account and available for the payment of principal and interest on the Bonds, to pay the interest or principal and interest next coming due on the Bond. Such payments from the Revenue Fund shall be made on or before each day on which a payment of interest on or principal of the Bond is due and payable in an amount equal to such regular monthly payment.

Said amounts so pledged to be paid into the Bond Fund and the Reserve Account therein out of the Revenue Fund are hereby declared to be a lien and charge upon all the money in the

Revenue Fund equal in rank to the lien and charge thereon of the Outstanding Parity Bonds and to any charges which may later be made thereon to pay the principal of and interest on any Future Parity Bonds and superior to all other charges of any kind or nature subject only to the necessary operation and maintenance expenses of the Utility and except that the amounts so pledged are of equal lien to the charges upon such Gross Revenue for the payment of the principal of and interest on the Outstanding Parity Bonds and to any charge which hereafter may be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

Section 7. Reserve Account. A Reserve Account has heretofore been created in the Bond Fund for the purpose of securing the payment of the principal of and interest on all Parity Bonds. The City hereby covenants and agrees that commencing one year from the date of issuance and delivery of the Bond and annually thereafter, it will set aside and pay into the Reserve Account annual payments sufficient with other money in the Reserve Account to have on deposit therein by ten years from the date of delivery of the Bond, a total amount of not less than the greater of (i) \$42,460.00, or (ii) an amount equal to Average Annual Debt Service for the period that commences with the year following the issuance of the Bond and ends with the year in which the last outstanding Parity Bond (excluding term bonds) is scheduled to mature, to be paid at the rate of not less than \$4,246.00 annually.

For as long as the Bonds remain outstanding, the City hereby further covenants and agrees for the benefit of the owners of the Bond that in the event it issues any Future Parity Bonds, it will provide in the ordinance authorizing the issuance of the same that it will pay into the Reserve Account out of the Gross Revenue of the Utility (or, at the option of the City, out of any other funds on hand legally available for such purpose) not less than approximately equal

additional annual payments so that by five years from the date of such Future Parity Bonds there will have been paid into the Reserve Account an amount which, with the money already on deposit therein, will be equal to the Average Annual Debt Service for the period that commences with the year following the year of issuance of the Future Parity Bonds and ends with the year in which the last outstanding Parity Bond (excluding Term Bonds) is scheduled to mature; *provided, however,* that if the Government is the purchaser of the Future Parity Bonds, the period during which the balance in the Reserve Account shall be accumulated may be extended to 10 years with the consent of the Government.

The City further covenants and agrees that when the required deposits have been made into the Reserve Account, it will at all times maintain therein an amount at least equal to the Average Annual Debt Service on all outstanding Parity Bonds. Whenever there is a sufficient amount in the Bond Fund, including the Reserve Account and the Principal and Interest Account, to pay the principal of, premium if any, and interest on all outstanding Parity Bonds, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. Money in the Reserve Account may also be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, on any outstanding Parity Bonds, as long as the monies left remaining on deposit in the Reserve Account are equal to the Average Annual Debt Service on the remaining outstanding Parity Bonds.

In the event there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either interest on or principal of and interest on the outstanding bonds payable out of such Account, such deficiency shall be made up from the Reserve Account by the withdrawal of monies therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up out of Gross Revenue of the Utility after making

necessary provision for the payments required to be made prior thereto by Section 9 of this ordinance.

All money in the Reserve Account may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or may be invested in United States obligations having a guaranteed market and maturing or having a guaranteed redemption price, not later than the last maturity of the Bond. Interest earned on or any profits made from the sale of any such investments shall be deposited in and become a part of the Principal and Interest Account.

Section 8. Compliance With Parity Conditions. The Council hereby finds and determines as required by Section 11 of Ordinance No. 726, Section 17 of Ordinance No. 758, Section 11 of Ordinance No. 866, and Section 11 of Ordinance No. 1014 (the "Parity Conditions") as follows:

First, no default exists in the payment of the principal or interest on any outstanding water and sewer revenue bonds of the City and the amount required to have been paid into the Bond Fund has been paid and maintained intact therein; and

Second, attached hereto as Exhibit A is the written consent of the Government as the owner and holder of at least 75% of the Outstanding Parity Bonds to the issuance of the Bond as a Parity Bond and waiving the Parity Conditions.

The limitations contained in the conditions provided in the Parity Conditions having been complied with, the payments required herein to be made out of the Net Revenues of the Utility to pay and secure the payment of the principal of and interest on the Bonds shall constitute a lien

and charge upon such Net Revenues equal in rank to the lien and charge thereon of the Outstanding Parity Bonds.

The Bond shall not be issued unless and until the City is able to verify that the Bond may be delivered as a "Parity Bond" under the terms of the City's outstanding bond ordinances. The City shall execute such additional covenants and confirmations as necessary to ensure that the Bond shall be a Parity Bond.

Section 9.     Tax Covenants. The City hereby covenants that it will not make any use of the proceeds of sale of the Bond or any other funds of the City which may be deemed to be proceeds of such Bond pursuant to Section 148 of the Code which will cause the Bond 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 (or any successor provision thereof applicable to the Bond) and the applicable Regulations thereunder throughout the term of the Bonds.

The City further covenants that it will not take any action or permit any action to be taken that would cause the Bond to constitute a "private activity bond" under Section 141 of the Code.

The City hereby designates the Bonds as "qualified tax exempt obligations" under Section 265(b) of the Code for investment by financial institutions. The City does not anticipate issuing more than \$10,000,000 in qualified tax-exempt obligations during 2014.

Section 10.    Bond Covenants. The City hereby covenants and agrees with the owner of the Bond from time to time, as follows:

(a)     *Rates.* For as long as the Bonds remain outstanding, the City will establish, maintain and collect rates and charges for water and sewer service that will produce Net Revenues of the Utility in each fiscal year at least equal to 120% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on all outstanding Parity

Bonds, but excluding payments to be made on Term Bonds or to be made from refunding debt and capitalized debt service.

(b) *Maintenance and Operations.* The City will at all times maintain and keep the Utility in good repair, working order and condition, and also will at all times operate the Utility and the business in connection therewith in an efficient manner and at a reasonable cost, and will maintain and collect such rates and charges for water service and sanitary sewage disposal service furnished as will provide sufficient revenues to produce the gross revenue required to meet the expenses of maintenance and operation of the Utility, and to meet the debt service requirements of the Outstanding Parity Bonds, the Bond and any Future Parity Bonds.

(c) *Books and Records.* The City will, while any Parity Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Utility and will furnish the original owner of the Bonds or any subsequent owner thereof, at the written request of such owner, complete operating and income statements of the Utility in reasonable detail covering any fiscal year, not more than 60 days after the close of such fiscal year, and will grant any owner of at least 25% of the outstanding Parity Bonds the right at all reasonable times to inspect the Utility and all records, accounts and data of the Utility relating thereto.

(d) *Insurance.* The City will carry fire and such other forms of insurance on such of the buildings, equipment and facilities of the Utility as under good practice are ordinarily carried on such buildings, equipment and facilities by utilities engaged in the operation of waterworks and sanitary sewage disposal systems to the full insurable value thereof, and will also carry adequate public liability at all times.

(e) *No Free Service.* The City will not furnish water or sanitary sewage disposal service to any customer whatsoever free of charge, and it shall, not later than 60 days after the end of each calendar year, take such legal action as may be feasible to enforce collection of all such collectible delinquent accounts.

(f) *Disposition of Facilities.* The City will not mortgage, sell, lease, or in any manner encumber or dispose of all the property of the Utility, unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all outstanding Parity Bonds, and that it will not mortgage, sell, lease, or in any manner encumber or dispose of any part of the Utility that is used, useful and material to the operation of the Utility unless provision is made for replacement thereof or for payment into the Bond Fund of an amount which shall bear the same ratio to the amount of the outstanding Parity Bonds as the revenue available for debt service for those Parity Bonds for the 12 months preceding such sale, lease, encumbrance or disposed of, bears to the revenue available for debt service for those Parity Bonds from the entire Utility for the same period. Any such money so paid into the Bond Fund shall be used to retire outstanding Parity Bonds at the earliest possible date.

(g) *Fidelity Bond.* The City will maintain an officer's fidelity bond for its financial officer for as long as the United States of America is holder of the Bond. A certified copy of such bond will be delivered to the United States.

Section 11. Future Parity Bonds. The City reserves the right to issue Parity Bonds, which shall constitute a lien and charge upon the Gross Revenue of the Utility, on a parity with the Bond, if the following conditions are met and complied with at the time of the issuance of such Parity Bonds:

(a) No default exists in the payment of the principal or interest on any outstanding water and sewer revenue bonds of the City and the amount required to have been paid into the Bond Fund shall have been paid and maintained intact therein; and

(b) There shall be on file with the City Clerk a certificate of a nationally recognized firm of certified public accountants or a professional engineer licensed to practice in the State of Washington and experienced in municipal utilities to the effect that the Net Revenue of the Utility for the calendar year preceding the year in which such Parity Bonds are to be issued is not less than 120% of the average annual debt service requirements on all water and sewer revenue bonds of the City then outstanding, any Parity Bonds hereafter issued then outstanding and the Future Parity Bonds proposed to be so issued.

The certificate referred to in subsection (b) above shall not be required:

(1) if the proposed series of Future Parity Bonds is issued for the purpose of refunding outstanding Parity Bonds and if the maximum annual debt service (payments of interest and principal scheduled to mature) on all Parity Bonds outstanding following the date of issuance of such Future Parity Bonds shall not be greater than the maximum annual Debt Service were such refunding not to occur; or

(2) if assessments levied in any utility local improvement district formed in connection with the issuance of the proposed series of Future Parity Bonds are scheduled to mature in amounts and at times sufficient to pay at least 90% of scheduled debt service (principal and interest) on the proposed series of Future Parity Bonds; or

(3) if waived or modified (and if modified, in accordance with the approved modification) by the written consent of the owners or holders representing at least 75% of the then outstanding principal of Parity Bonds (payable out of the Bond Fund).

Nothing herein contained shall prevent the City from issuing water and sewer revenue bonds which are a charge upon the Gross Revenue of the Utility junior or inferior to the payments required to be made therefrom into the Bond Fund for the payment of the Bond and Parity Bonds or from pledging the payment of assessments into a fund or account created to pay and secure the payment of the principal of and interest on such junior lien bonds as long as such assessments are levied in a utility local improvement district or districts created in connection with carrying out the improvements to be constructed from the proceeds of the sale of such junior lien bonds, nor shall anything herein contained prevent the City from issuing water and sewer revenue bonds to refund maturing water and sewer revenue bonds of the City for the payment of which moneys are not otherwise available.

Section 12. Short-Lived Asset Replacement Fund . The City hereby establishes a fund to be named the Short-Lived Asset Replacement Fund, or such other designation as shall meet applicable accounting requirements, into which the City shall deposit the sum of [\$1,750.00] annually until a projected amount of [\$17,500.00] has been accumulated. Money in the Short-Lived Asset Replacement Fund shall be used by the City from time to time to replace short-lived equipment or apparatus of the Utility. The required balance on hand may be adjusted annually based on inflation at the direction of the Government.

Section 13. Bond Registrar. The City hereby adopts the system of registration specified and approved by the Washington State Finance Committee for the Bond. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bond 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 the

Bonds transferred or exchanged in accordance with the provisions of such Bond 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 Bond. The Bond Registrar may become the owner of Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 14. Transfer. The Bond may be transferred by the registered owner thereof, provided that such transfer relates to the entire unpaid principal amount of the Bond, and any such transfer shall be noted on the bond registration books of the City.

Section 15. Lost or Destroyed Bond. In case the Bond shall be lost, stolen or destroyed, the City may execute and deliver a new bond of like date, number and tenor to the registered owner thereof in the manner provided by law and upon the owner paying the expenses and charges of the City in connection therewith.

Section 16. Form of Bond. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. R-1

\$808,000

STATE OF WASHINGTON

CITY OF ROSLYN  
WATER AND SEWER REVENUE BOND, 2014

PRINCIPAL AMOUNT: EIGHT HUNDRED EIGHT THOUSAND AND NO/100  
DOLLARS

INTEREST RATE: 2.75%

MATURITY DATE: January \_\_, 2054

The City of Roslyn, Washington, a municipal corporation of the State of Washington (the "City"), acknowledges itself indebted and for value received promises to pay to the UNITED STATES OF AMERICA, ACTING THROUGH THE UNITED STATES DEPARTMENT OF AGRICULTURE (the "Registered Owner"), the Principal Amount above

This bond shall bear interest at the rate of 2.75% per annum (computed on the basis of a 365-day year for actual number of days elapsed) and shall accrue from the date hereof. Principal of and interest shall be payable in annual amortized installments in the amount of \$42,460.00 on each January 28th, commencing January 28th, 2015 (each an "Installment Payment Date"), with final payment of principal and interest nevertheless due on the Maturity Date. If any installment of principal and interest is not paid when due, the City shall be obligated to pay interest on that installment at the same rate provided herein from and after its due date until that installment is paid in full.

This bond, designated as the Water and Sewer Revenue Bond, 2014, is issued by the City in fully registered form pursuant to Ordinance No. 1101 of the City (the "Bond Ordinance") to redeem an outstanding revenue obligation of the City and provide financing for part of the costs of acquiring, constructing and installing improvements to the water and sewerage utility of the City (the "Utility"), as set forth in the Bond Ordinance.

Installments of interest or principal of and interest on this bond are payable in lawful money of the United States of America and shall be paid by check or draft mailed by the City Treasurer (the "Bond Registrar") on the Installment Payment Date to the Registered Owner at its address appearing on the books or records maintained by the Bond Registrar. The last installment of principal and interest shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the Bond Registrar.

For as long as any principal of or interest on this bond is outstanding, the City irrevocably pledges the Gross Revenues of the Utility for the payments required to be made into the Bond Fund for the Outstanding Parity Bonds, this bond and any Future Parity Bonds. The pledge shall constitute a lien and charge upon that revenue prior and superior to any other lien and charge whatsoever, subject only to operation and maintenance expenses of the Utility. This bond is not a general obligation of the City, and the City's full faith, credit and resources are not pledged for the principal of and interest on this bond.

The City may prepay the entire unpaid principal of this bond, or, from time to time, prepay such lesser portion as the City may determine of the unpaid principal amount thereof. Upon prepayment of a portion of the principal of this bond, the amount of the annual installments of principal and interest shall remain unchanged but shall be recalculated to reflect the reduction in the principal amount remaining unpaid and the resulting increase in the portion of each installment payment credited to the principal of this bond. The final Installment Payment Date, and the amount payable thereon, shall be adjusted to reflect the prepayment and increased amount applied to principal from each annual installment payment.

Reference is made to the Bond Ordinance for other covenants and declarations of the City and other terms and conditions upon which this bond has been issued, which terms and

conditions are made a part hereof by this reference. The City irrevocably and unconditionally covenants that it will keep and perform all the covenants of this bond and of the Bond Ordinance.

The City in the Bond Ordinance has designated this bond as a qualified tax-exempt obligation for the purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon has been signed by the Bond Registrar.

This bond may be transferred by the Registered Owner on surrender of this bond to the Bond Registrar, but only if that transfer relates to the entire unpaid principal amount of this bond and only if endorsed in the manner provided hereon and surrendered to the Bond Registrar. Any transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to transfer this bond during the 15 days preceding any Installment Payment Date or prepayment date.

The installments of interest or principal and interest on this bond shall be paid only to the Registered Owner as described herein and to no other person or entity, and this bond may not be assigned except on the Bond Register.

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, and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, the City of Roslyn, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of its Mayor, to be attested by the manual signature of its Clerk, and the seal of the City to be impressed, imprinted or otherwise reproduced hereon, as of this 28<sup>th</sup> day of January, 2014.

CITY OF ROSLYN, WASHINGTON

  
\_\_\_\_\_  
Mayor

ATTEST:

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

[CITY SEAL]

REGISTRATION CERTIFICATE

This bond is registered in the name of the owner on the books of the City in the office of the City Treasurer as to both principal and interest as noted in the registration blank below. No transfer hereof shall be valid unless made by the registered owner or his/her duly authorized agent in writing, and similarly noted hereon and on the bond registration books of the City. All payments of principal of and interest on this bond shall be made by the City with full acquittance by City Treasurer's check, or by warrant of the City drawn on the Treasurer, made payable to the last registered holder shown hereon and delivered to such owner or mailed to his/her at his/her address noted hereon.

Date of Registration	Name and Address of Registered Owner	Signature or Registrar
January 28, 2014	United States of America USDA Rural Development 1835 Black Lake Blvd. SW Ste B, Olympia, WA 98512-5712	 Clerk Treasurer

Section 17. Execution of the Bond. The Bond shall be signed on behalf of the City with the manual or facsimile signature of the Mayor, shall be attested by the manual signature of its Clerk, and shall have the corporate seal of the City impressed, imprinted or otherwise reproduced thereon.

In case either or both of the officers who shall have executed the Bond shall cease to be an officer or officers of the City before the Bond so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bond 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. The Bond also may be signed and attested on behalf of the City by such persons as at the actual date of execution of the Bond shall be the proper officers of the City although at the original date of the Bond any such person shall not have been such officer of the City.

Section 18. Sale of Bond. The Bond shall be sold to the Government at a price of par on the terms and conditions set forth herein.

Section 19. Application of Bond Proceeds. The principal proceeds of the sale of the Bond shall be paid into the Note Fund and shall be utilized to redeem the Note.

Section 20. Amendatory and Supplemental Ordinances.

(a) The Council from time to time and at any time may pass an ordinance or ordinances supplemental hereof, which ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City in this ordinance contained, other covenants and agreements thereafter to be observed, or to surrender

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance or in regard to matters or questions arising under this ordinance as the Council may deem necessary or desirable and not inconsistent with this ordinance and which shall not adversely affect the interest of the owners of any Parity Bonds.

(3) To provide for the issuance of Parity Bonds in the form of book-entry obligations.

Any such supplemental ordinance of the Council may be passed without the consent of the owner of any of the Parity Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section.

(b) With the consent of the owners of not less than 60% in aggregate principal amount of any Parity Bonds at the time outstanding, the Council may pass an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any

manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall:

(1) Extend the fixed maturity of any of the Parity Bonds, or reduce the rate of interest thereon, or reduce the amount or change the date of any sinking fund payment requirement, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each Parity Bond so affected; or

(2) Reduce the aforesaid percentage of owners of Parity Bonds required to approve any such supplemental ordinance without the consent of the owners of all of the Parity Bonds then outstanding; or

(3) Remove the pledge and lien of this ordinance on Gross Revenues or the moneys in the Revenue Fund.

It shall not be necessary for the consent of the owners of the Parity Bonds under this subsection (b) to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

(c) Upon the passage of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance and all owners of Parity Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendment, and all the terms and conditions of any such supplemental ordinance shall be deemed to be part of the terms and conditions of this ordinance for any and all purposes.

(d) Parity Bonds executed and delivered after the execution of any supplemental ordinance passed pursuant to the provisions of this section may bear a notation as to any matter provided for in such supplemental ordinance, and if such supplemental ordinance shall so provide, new Parity Bonds so modified as to conform, in the opinion of the Council, to any modification of this ordinance contained in any such supplemental ordinance may be prepared by the City and delivered without cost to the owners of Parity Bonds then outstanding, upon surrender for cancellation of such Bonds or Parity Bond in equal aggregate principal amounts.

Section 21. 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 in this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bond.

Section 22. General Authorization. The Mayor and the Clerk and all other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance.

Section 23. Prior Acts. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 24. Effective Date. This ordinance shall become effective from and after its passage, and approval and publication as required by law.

Section 25. Ongoing Disclosure. The City is exempt from the ongoing disclosure requirements of Securities and Exchange Commission Rule 15c2-12 by reason of the exemption set forth in subsection (d)(i) of that rule with respect to the issuance of securities in authorized denominations of \$100,000 or more.

PASSED by the City Council of the City of Roslyn, Washington, at a meeting thereof held on the 28th day of January, 2014.

CITY OF ROSLYN, WASHINGTON

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

ATTEST:

 \_\_\_\_\_  
Clerk

EXHIBIT A

CONSENT

The United States of America acting through its Department of Agriculture (the "Government") (such term and other capitalized terms used in this Consent are defined in Ordinance No. 1101 (the "Bond Ordinance") to which this Consent is annexed), hereby certifies as follows:

1. It is the owner and holder of the following Bonds representing at least 75% of the principal amount of all outstanding Parity Bonds, i.e. the City's Water and Sewer Revenue Bond, 1992, its Water and Sewer Revenue Refunding Bonds, 1994, its Water and Sewer Revenue Bond, 1998, and its Water and Sewer Revenue Bond, 2007 issued pursuant to Ordinance Nos. 726, 758, 866 and 1014, respectively.

2. It accepts, approves and consents to all of the terms and provisions of the Bond Ordinance;

3. By the execution of this Consent, the Government waives the limitations or conditions imposed by Section 11 of Ordinance No. 726, Section 17 of Ordinance No. 758, Section 11 of Ordinance No. 866 and Section 11 of Ordinance No. 1014 of the City of Roslyn, Washington, as a condition precedent to the issuance of the Bond as a Parity Bond; and

4. The Bond authorized to be issued by the Bond Ordinance shall be, upon execution and delivery, a Parity Bond, having a lien and charge upon the money in the Revenue Fund for the payment of the principal thereof and interest thereon equal to the lien and charge upon the money in the Revenue Fund for the payment of the principal of and interest on the Outstanding Parity Bond.

DATED as of this 28th day of January, 2014.

UNITED STATES OF AMERICA  
ACTING THROUGH ITS  
DEPARTMENT OF AGRICULTURE

By \_\_\_\_\_  
Marti Canatsey  
Community Program Specialist

CERTIFICATE

I, the undersigned, Clerk of the City of Roslyn, Washington (herein called the "City"),  
DO HEREBY CERTIFY:

1. That the attached ordinance numbered No. 1101 (herein called the "Ordinance")  
is a true and correct copy of an ordinance of the City as passed at a special meeting of the  
Council of the City held on the 28th day of January, 2014, 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  
legal quorum was present throughout the meeting and a legally sufficient number of members of  
the Council voted in the proper manner for the passage of the Ordinance; that all other  
requirements and proceedings incident to the proper passage of the Ordinance have been duly  
fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of January, 2014.



\_\_\_\_\_  
Clerk, City of Roslyn