

**CITY OF MONROE, WASHINGTON**  
**WATER AND SEWER REVENUE BONDS, 2011**

**\$15,260,000**

**ORDINANCE NO. 015/2011**

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF WATER AND SEWER REVENUE BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF \$15,260,000 TO PROVIDE FUNDS TO MAKE IMPROVEMENTS TO THE WATER, SEWER AND STORMWATER MANAGEMENT SYSTEM OF THE CITY; PROVIDING THE TERMS AND COVENANTS OF THE BONDS; AND COMBINING THE CITY'S WATER AND SEWER SYSTEM AND THE STORMWATER MANAGEMENT UTILITY FOR FINANCING PURPOSES.

PASSED: June 14, 2011

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\*This table of contents and the cover page hereof are included for convenience of reference only and are not a part of this ordinance.

**ORDINANCE NO. 015/2011**

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF WATER AND SEWER REVENUE BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF \$15,260,000 TO PROVIDE FUNDS TO MAKE IMPROVEMENTS TO THE WATER, SEWER AND STORMWATER MANAGEMENT UTILITY OF THE CITY; PROVIDING THE TERMS AND COVENANTS OF THE BONDS; AND COMBINING THE CITY'S WATER AND SEWER SYSTEM AND THE STORMWATER MANAGEMENT UTILITY FOR FINANCING PURPOSES.

WHEREAS, the City of Monroe, Washington (the "City") owns, operates and maintains a water supply and distribution system and a sanitary sewage collection and disposal system, which systems were combined by Ordinance No. 1003 of the City, passed on December 23, 1992 (the combined systems, including all additions thereto and betterments and extensions thereof at any time made, to be hereinafter referred to as the "Water and Sewer System"), as authorized by RCW 35.67.331; and

WHEREAS, the City issued its Water and Sewer Revenue Refunding Bond, 2005 (the "2005 Bond"), pursuant to Ordinance No. 020/2005, currently outstanding in the amount of \$3,474,000; and

WHEREAS, the City issued its Water and Sewer Revenue and Refunding Bonds, 2009 (the "2009 Bonds"), pursuant to Ordinance No. 009/2009, currently outstanding in the amount of \$4,190,000; and

WHEREAS, Ordinances No. 020/2005 and 009/2009 authorizing the 2005 Bond and the 2009 Bonds provide that the City may issue additional water and sewer revenue bonds on a parity with the 2005 Bond and the 2009 Bonds for the purpose of making capital improvements to the Water and Sewer System if certain conditions are met; and

WHEREAS, the City owns, operates and maintains a stormwater management utility system (the "Stormwater Management Utility"); and

WHEREAS, the City deems it advisable to combine the Stormwater Management Utility into the Water and Sewer System to be known as the "System"; and

WHEREAS, the City wishes to make improvements to and upgrade the Wastewater Treatment Plant, replace the Wagner Water Transmission Main, and reconstruct the Hill Street storm drain system (the "Project"); and

WHEREAS, it is in the best interest of the City and its ratepayers to make certain improvements to the System and finance such improvements by issuing Water and Sewer Revenue Bonds (the "Bonds"); and

WHEREAS, the Council has received an offer from D.A. Davidson & Co. (the "Underwriter") to purchase the Bonds and finds that it is in the best interest of the City that such offer be accepted;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MONROE, WASHINGTON, as follows:

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

**Adjusted Annual Debt Service** means Annual Debt Service minus (1) an amount equal to ULID Assessments collected or due in that year and not delinquent and (2) Annual Debt Service provided for by Parity Bond proceeds.

**Annual Debt Service** for any fiscal year or calendar year means the sum of:

- A. the interest due in such year on all outstanding Parity Bonds excluding, however, interest to be paid from the proceeds of Parity Bonds,
- B. the principal of all outstanding Serial Bonds due in such year, and
- C. the principal amount of Term Bonds required to be purchased, redeemed or paid at maturity in such year as established by the ordinance of the City authorizing the issuance of such Term Bonds.

If the interest rate on any such bonds is other than a fixed rate, the rate applicable at the time of the computation shall be used.

With the consent of the appropriate percentage of owners of the outstanding Parity Bonds, the City may pass a supplemental ordinance supplementing this ordinance for the purpose of providing that in calculating the Annual Debt Service, the City may exclude any direct payment the City is expected to receive in respect of any Future Parity Bonds for which the federal government will provide the City with a direct payment of a portion of the interest from the interest portion of Annual Debt Service. The owners of the Bonds by taking and holding the same shall be deemed to have consented to the adoption of the supplemental ordinance.

**Bonds** mean the City's Water and Sewer Revenue Bonds, 2011, authorized to be issued pursuant to this ordinance.

**Bond Fund** means that special fund of the City known as the "Water and Sewer Revenue Bond Fund" previously created for the payment of the principal of and interest on the Parity Bonds.

**Bond Register** means the books or records maintained by the Bond Registrar for the purpose of registration of the Bonds.

**Bond Registrar** or **Registrar** means the fiscal agency of the State of Washington in New York, New York, whose duties include the registration and authentication of the Bonds, maintenance of the Bond Register, effecting transfer of ownership of the Bonds and paying the principal of, premium, if any, and interest on the Bonds.

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

**City Clerk** means the duly qualified, appointed and acting City Clerk of the City, currently the Deputy City Clerk, or any other officer who succeeds to the duties now delegated to that office.

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

**Commission** means the Securities and Exchange Commission.

**Construction Account** means the account designed by the Finance Director for deposit of Bond Proceeds.

**Costs of Maintenance and Operation** means all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expenses, but excludes depreciation, payments for debt service or into reserve accounts, costs of capital additions to or replacements of the System, municipal taxes or payments to the City in lieu of taxes.

**Council** means the duly constituted City Council as the general legislative authority of the City.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 5 hereof, or any successor depository for the Bonds.

**Finance Director** means the duly qualified, appointed and acting Finance Director of the City or any other officer who succeeds to the duties now delegated to that office.

**Future Parity Bonds** means all revenue bonds of the City hereafter issued and having a lien upon the Revenue Fund for the payment of the principal thereof and interest thereon equal to the lien upon such fund for the payment of the principal of and interest on the Parity Bonds.

**Government Obligations** has the meaning given such term in RCW Ch. 39.53, as such chapter may be hereafter amended or restated.

**Letter of Representations** means the form of letter to DTC, which is on file with the City.

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

**Net Revenue** means the Revenue of the System, less the Costs of Maintenance and Operation.

**Parity Bonds** means the 2005 Bond, the 2009 Bonds, the Bonds and any Future Parity Bonds.

**Project** means the additions and betterments to the System authorized by Section 2 hereof.

**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 the Registered Owner.

**Repair and Replacement Fund** means the fund of that name created pursuant to Ordinance No. 1021.

**Reserve Account** means the account of that name created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

**Reserve Insurance** means any bond insurance, letter of credit, guaranty, surety bond or similar credit enhancement device obtained by the City equal to part or all of the Reserve Requirement for any Parity Bonds, which is issued by an institution that has been assigned a credit rating at the time of issuance of the device in one of the two highest rating categories of Moody's Investors Service and Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., or their comparably recognized business successors.

**Reserve Requirement** means, as of any date, an amount equal to the lesser of (i) 125% of average Annual Debt Service for the Parity Bonds or (ii) maximum Annual Debt Service for the Parity Bonds, but in no case shall such amount exceed 10% of the net proceeds of such series of Bonds.

**Revenue Fund** means, collectively the following funds: (i) the special fund of the City created by Section 3 of Ordinance No. 1003 known as the "Water and Sewer Revenue Fund" into which the City has pledged to pay all water and sewer revenues, as collected, and the (ii) "Storm Drainage Revenue Fund" into which the City has pledged to pay all of the revenue of the Stormwater Management Utility, as collected.

**Revenue of the System** means all earnings, revenue and money, except ULID Assessments, received by the City from or on account of the operation of the System, including proceeds from the sale, lease or other disposition of any of the properties or facilities of the System and the income from investments of money in the Revenue Fund and the Bond Fund or

from any other investment thereof except the income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of retirement or refunding. "Revenue of the System" shall also include any federal or state reimbursements of operating expenses to the extent that such expenses are included as "Costs of Maintenance and Operation."

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

**Serial Bonds** means Parity Bonds other than Term Bonds.

**Stormwater Management Utility** means the storm drainage system of the City, which is being combined with the Water and Sewer System.

**System** means the combined Water and Sewer System of the City and the Stormwater Management Utility as they now exist and as they may be added to, improved and extended for as long as any of the Parity Bonds are outstanding. The City may separate the Stormwater Management Utility from the water and sewerage system at a later date.

**Term Bonds** means any Parity Bonds that are designated "Term Bonds" pursuant to an ordinance that authorizes the issuance of those bonds and provides for mandatory sinking fund payments and mandatory redemption of such Term Bonds.

**2005 Bonds** means the Water and Sewer Revenue Refunding Bond, 2005 issued pursuant to Ordinance No. 020/2005.

**2009 Bonds** means the Water and Sewer Revenue and Refunding Bonds, 2009 issued pursuant to Ordinance No. 009/2009.

**ULID Assessments** means all assessments (including any interest and penalties) levied in a utility local improvement district of the City for the acquisition or construction of improvements to and extensions of the System if those assessments are pledged to be paid into the Bond Fund, not including any prepaid assessments paid into a construction account.

**Underwriter** means D.A. Davidson & Co., Seattle, Washington.

**Water and Sewer System** means the combined water and sewerage system of the City, as the same may be added to, improved and extended.

Section 2. **The Project.** The Council hereby finds and determines that the public interest requires that the City make improvements to and upgrade the Wastewater Treatment Plant, replace the Wagner Water Transmission Main, and reconstruct the Hill Street storm drain system and other capital improvements to the System (collectively, the "Project"). The Council hereby adopts the Project as a plan and system for additions and betterments to the System. The estimated cost of the Project to be funded with bond proceeds is estimated to be \$15,600,000.

In carrying out such Project, the City shall acquire and install all equipment and appurtenances necessary for its proper operation, and shall acquire by purchase, lease or condemnation all property, both real and personal, or any interest therein, and all rights-of-way, franchises, and easements necessary to carry out the plan. The Project shall be subject to such changes as to details of size or location or any other details of the Project as may be authorized by the City either prior to or during the actual course of construction.

Section 3. Compliance with Parity Conditions. The Council hereby finds, as required by Section 11 of Ordinance No. 020/2005 and Section 18 of Ordinance 009/2009, as follows:

First, that at the time of adoption of this ordinance and at the time of the issuance and delivery of the Bonds there is not nor will there be any deficiency in the Bond Fund;

Second, Section 12 of this ordinance provides that all ULID Assessments shall be paid directly into the Principal and Interest Account in the Bond Fund;

Third, Section 11 of this ordinance provides for the deposit into the Reserve Account of the amount necessary to fund the Reserve Requirement upon the issuance of the Bonds; and

Fourth, on or before the date of issuance of the Bonds there shall be on file with the City a certificate of the Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Net Revenue was at least equal to 1.05 times Annual Debt Service for all Parity Bonds plus the Bonds (and assuming that the debt service of the Bonds for that twelve-month period was the average Annual Debt Service for those Bonds).

The parity conditions contained in Ordinances No. 020/2005 and 009/2009 having been complied with or assured, the payments required in this ordinance to be made out of the Revenue Fund into the Bond Fund and Reserve Account to pay and secure the payment of the principal of and interest on the Bonds shall constitute a lien and charge upon the money in the Revenue Fund equal in rank with the lien and charge thereon for the payments required to be made into the Bond Fund to pay and secure the payment of the principal of and interest on the 2005 Bond and the 2009 Bonds.

Section 4. Authorization of the Bonds. For the purpose of financing the Project and paying costs of issuance of the Bonds, the Council hereby authorizes the issuance and sale of its water and sewer revenue bonds in the principal amount of \$15,260,000 (the "Bonds"). The Bonds shall be designated the "City of Monroe, Washington, Water and Sewer Revenue Bonds, 2011," shall be dated as of the date of their initial delivery, shall be fully registered as to principal and interest, shall be in the denomination of \$5,000 each, or any integral multiple thereof, provided no Bond shall represent more than one maturity, shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification. The Bonds shall bear interest payable on June 1, 2012, and semiannually thereafter on the first day of each succeeding December and June at the rates set forth below and shall mature on December 1 in the years and amounts as follows:



Maturity Dates (December 1)	Principal Amounts	Interest Rates
2012	\$ 315,000	4.00%
2013	240,000	2.00
2013	340,000	3.00
2014	595,000	2.00
2015	605,000	2.00
2016	620,000	2.25
2017	410,000	2.50
2017	225,000	3.00
2018	650,000	3.00
2019	670,000	4.00
2020	695,000	4.00
2021	725,000	4.00
2022	755,000	4.00
2024	1,600,000	4.125
2027	2,660,000	4.50
2029	1,985,000	4.625
2031	2,170,000	4.75

The Bonds shall be obligations only of the Bond Fund and shall be payable and secured as provided herein. The Bonds shall not be general obligations of the City.

Section 5. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on books or records maintained by the Bond Registrar (the "Bond Register"). The Bond Register shall contain the name and mailing address of the owner of each Bond and the principal amount and number of each of the Bonds held by each owner.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

The Bonds initially shall be registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of a Blanket Issuer Letter of Representations with DTC substantially in the form on file with the City Clerk (as it may be amended from time to time, the "Letter of Representations"). Neither the City nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the

persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to registered owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

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

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

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

Section 6. Payment of Bonds. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date (the "record date") or, if requested in writing by a registered owner of \$1,000,000 or more in principal amount of Bonds prior to the applicable record date, by wire transfer on the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners to the Bond Registrar. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations.

Section 7. Redemption Provisions and Open Market Purchase of Bonds. Bonds maturing in the years 2012 through 2020, inclusive, shall be issued without the right or option of the City to redeem those Bonds prior to their stated maturity dates. The City reserves the right and option to redeem the Bonds maturing on or after December 1, 2021, prior to their stated maturity dates at any time on or after June 1, 2021, as a whole or in part (within one or more maturities selected by the City and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

Bonds maturing in 2024, 2027, 2029 and 2031 are Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be called for redemption randomly (in such manner as the Bond Registrar shall determine) at par plus accrued interest on December 1 in years and amounts as follows:

2024 Term Bonds

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2023	\$ 785,000
2024*	815,000

\* Maturity.

2027 Term Bonds

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2025	\$ 850,000
2026	885,000
2027*	925,000

\* Maturity.

2029 Term Bonds

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2028	\$ 970,000
2029*	1,015,000

\* Maturity.

2031 Term Bonds

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2030	\$ 1,060,000
2031*	1,110,000

\* Final maturity.

If the City redeems under the optional redemption provisions, purchases in the open market or defeases Term Bonds, the par amount of the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation at least 60 days prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered

owner) of the same maturity and interest rate in any of the denominations authorized by this ordinance in the aggregate principal amount remaining unredeemed.

If fewer than all of the outstanding Bonds within a maturity are to be redeemed prior to maturity, selection of Bonds for redemption shall be randomly within a maturity in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, selection of Bonds for redemption shall be in accordance with the Letter of Representations.

The City further reserves the right and option to purchase any or all of the Bonds in the open market at any time at a price not in excess of par plus accrued interest to the date of purchase.

All Bonds purchased or redeemed under this section shall be canceled.

Section 8. Notice of Redemption. While the Bonds are held by DTC in book-entry only form, any notice of redemption shall be given at the time, to the entity and in the manner required by DTC in accordance with the Letter of Representations, and the Bond Registrar shall not be required to give any other notice of redemption. If the Bonds cease to be in book-entry only form, the City shall cause notice of any intended redemption of Bonds to be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond.

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

Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's at their offices in New York, New York, or their successors, to the MSRB and to such other persons and with such additional information as the City shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

Section 9. Failure to Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the bond redemption fund hereinafter created and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Section 10. Revenue Fund. The City shall deposit all Revenue of the System as collected into the two special funds of the City known as the "Water and Sewer Revenue Fund" and the "Storm Drainage Revenue Fund" (together, the "Revenue Fund"). The money in the Revenue Fund shall be kept segregated from and all other money of the City.

The Revenue of the System deposited in the Revenue Fund shall be used only for the following purposes and in the following order of priority:

FIRST, to pay the Costs of Maintenance and Operation;

SECOND, to make all payments required to be made into the Bond Fund to pay the interest on any Parity Bonds;

THIRD, to make all payments required to be made into the Bond Fund to pay the maturing principal of any Parity Bonds and to make all payments required to be made into the Bond Fund to provide for the mandatory redemption of any Term Bonds;

FOURTH, to make all payments required to be made into the Reserve Account to secure the payment of the principal of and interest on outstanding Parity Bonds and to make all payments required to be made pursuant to a reimbursement agreement or agreements (or other equivalent documents) in connection with Reserve Insurance;

FIFTH, to make all payments required to be made into any revenue bond redemption fund, revenue warrant redemption fund, debt service account, reserve account or bond retirement account created to pay and secure the payment of the principal of and interest on any revenue bonds, or revenue warrants or other revenue obligations of the City having a lien upon Revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds, including the City's public trust fund loans;

SIXTH, to make any required payments into the Repair and Replacement Fund; and

SEVENTH, to retire by redemption or purchase in the open market any outstanding Parity Bonds, warrants or other revenue obligations of the System, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, or for any other lawful City purposes.

Section 11. Disposition of Bond Proceeds. The Bond proceeds shall be deposited as follows:

A. Any amounts, together with amounts in the Reserve Account, necessary to satisfy the Reserve Requirement shall be deposited into the Reserve Account.

B. The balance of the Bond proceeds shall be deposited into the Construction Account and used to pay costs of the Project and costs of issuing the Bonds. Money remaining in the Construction Account after all of such costs have been paid or reimbursed, or the Council determines not to construct portions of such Project, may be used to pay costs of other legally authorized capital expenditures of the System or shall be deposited in the Bond Fund. Money in the Construction Account may be invested as permitted by law. All interest earned and profits

derived from such investments shall be retained in and become a part of the Construction Account or deposited into the Bond Fund.

Section 12. Bond Fund and Accounts. A special fund of the City known as the "Water and Sewer Revenue Bond Fund" (the "Bond Fund") was previously created in the office of the Finance Director and consists of (i) a Principal and Interest Account (the "Principal and Interest Account") for the purpose of paying principal, interest and sinking fund payments for the Parity Bonds and (ii) a Reserve Account (the "Reserve Account") the purpose of securing the payment of Parity Bonds.

A. Principal and Interest Account. The City shall pay into the Principal and Interest Account all ULID Assessments and, so long as the Parity Bonds remain outstanding, out of Net Revenue, (i) on or prior to each interest payment date, an amount sufficient to pay the interest due and payable on the Parity Bonds on such interest payment date, and (ii) on or prior to each principal payment date or mandatory sinking fund payment date, an amount sufficient to pay the principal or sinking fund payment of the Parity Bonds due and payable on such date.

B. Reserve Account. The City covenants that on the date of closing, it will pay into the Reserve Account Bond proceeds in an amount equal to the Reserve Requirement for the Parity Bonds. In calculating the Reserve Requirement at any time, investments in the Reserve Account shall be valued at their then current market value.

The City may provide all or part of the Reserve Requirement with Reserve Insurance, which insurance shall not be cancelable on less than three years' notice. On receipt of a notice of cancellation or if the entity providing the Reserve Insurance no longer meets the requirement specified herein, the City shall substitute Reserve Insurance or establish a special account in the Revenue Fund and make 36 approximately equal monthly deposits into such account in an amount sufficient, together with other money and investments on deposit in the Reserve Account, to equal the Reserve Requirement in effect as of the date the cancellation or disqualification of the entity becomes effective. Except for withdrawals therefrom and payments over time as authorized herein, the Reserve Account shall be maintained at the Reserve Requirement, as it is adjusted from time to time, at all times so long as any Parity Bonds are outstanding. For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account has been invested shall be valued at the greater of cost or accreted value.

In the event that there shall be a deficiency in the Principal and Interest Account in the Bond Fund to meet maturing installments of either principal, sinking fund payments or interest, as the case may be, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up within 12 months from ULID Assessments and Net Revenue available after making necessary provision for the required payments into the Principal and Interest Account. The money in the Reserve Account may be applied against the last outstanding bonds payable out of the Bond Fund, except that any money in the Reserve Account in excess of the Reserve Requirement may be deposited in any other fund or account and used for any lawful System purpose.

C. Investments. All money in the Bond Fund may be invested in any legal investment permitted to the City by law maturing, for investments in the Principal and Interest Account, not later than when the funds are required for the payment of principal or interest and, for investments in the Reserve Account, maturing not later than the last maturity of any then outstanding Parity Bonds. Interest earned on any such investments shall be deposited in and become a part of that account.

Section 13. Revenue Pledge. The Net Revenue is hereby pledged to the payment of the Bonds. The charge or lien upon the Net Revenue for the Bonds shall be equal to the charge or lien upon the Net Revenue to pay and secure the payment of the principal of and interest on the 2005 Bond, the 2009 Bonds and any Future Parity Bonds, prior and superior to any other charges of any kind or nature whatsoever.

The Council hereby declares that in creating the Bond Fund and in fixing the amounts to be paid into it, it has considered and had due regard for the Costs of Maintenance and Operation and has not and will not set aside into the Bond Fund a greater amount or proportion of the revenues and proceeds than in its judgment will be available over and above the Costs of Maintenance and Operation and the debt service requirements for the outstanding Parity Bonds.

Section 14. General Covenants. The City hereby covenants and agrees with the owner of the Bonds as follows:

A. Establishment and Collection of Rates and Charges; Coverage. It will establish, maintain and collect such rates and charges for use of services and facilities of the System and all commodities sold, furnished or supplied by the System, and shall adjust such rates and charges from time to time so long as any of the Parity Bonds are outstanding so that:

(1) Revenue of the System and ULID Assessments will at all times be sufficient (a) to pay all Costs of Maintenance and Operation; (b) to pay the principal of and interest on any outstanding Parity Bonds, as and when the same shall become due and payable; (c) to make all payments required to be made for mandatory redemption of any Term Bonds; (d) to make when due all payments that the City is required to make into the Reserve Account and the Repair and Replacement Fund; (e) to make all other payments that the City is required to make pursuant to this ordinance; and (f) to pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts that the City may now and hereafter become obligated to pay from the Revenue of the System by law or contract; and

(2) Net Revenue in any calendar year shall equal at least 1.05 times Adjusted Annual Debt Service.

B. Maintenance and Operation Standards. It will at all times (1) maintain and keep the System in good repair, working order and condition, (2) operate the System in an efficient manner and at a reasonable cost and (3) comply in all material respects with all federal, state and municipal laws, regulations and court orders applicable to the System or, in the case of any noncompliance, by taking all reasonable steps with due diligence to return to such compliance.

C. Sale or Disposition of System or Property. It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the System, unless provision is made for the payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all Parity Bonds at any such time outstanding; and it will not sell, lease, mortgage or in any manner encumber or dispose of any part of the property of the System that comprises more than 5% of the total assets of the System that is used, useful and material to the operation thereof, unless provision is made for the replacement thereof, or for payment into the Bond Fund of the total amount of revenue received which shall not be less than an amount which shall bear the same ratio to the amount of the then outstanding Parity Bonds as the revenue available for debt service for such outstanding Parity Bonds for the 12 months preceding such sale, lease, encumbrance or disposal from the portion of the utility sold, leased, encumbered or disposed of bears to the revenue available for debt service for outstanding Parity Bonds from the entire System for the same period. Any such money so paid into the Bond Fund shall be used to retire Parity Bonds then outstanding at the earliest possible date.

D. Books and Accounts. It 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 System, and it will furnish the owners of Parity Bonds, at the written request of such owners, complete operating and income statements of the System in reasonable detail covering any calendar year not more than 120 days after the close of such calendar year. Upon request of any owner of any outstanding Parity Bonds, it will also furnish to such owner a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington, or such other audit as is authorized by law in lieu thereof.

E. No Free Service. Except to aid the poor or infirm or if otherwise permitted by law, it will not furnish water, sanitary sewage disposal or storm drainage service to any customer whatsoever free of charge and will promptly take legal action to enforce collection of all delinquent accounts.

F. Maintenance of Insurance. It at all times will carry fire and extended coverage, public liability and property damage and such other forms of insurance with responsible insurers and with policies payable to the City on such of the buildings, equipment, works, plants, facilities and properties of the System as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or it will self-insure or will participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of the City, to protect the System and the owners of the Parity Bonds against loss.

G. Provision for Costs of Maintenance and Operation. It will pay Costs of Maintenance and Operation and the debt service requirements of the Parity Bonds and otherwise meet the obligations of the City herein set forth.



Section 15. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 16. Preservation of Tax Exemption for Interest on Bonds. The City covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), is applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Bonds, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes.

Section 17. Future Parity Bonds. The City reserves the right to issue Future Parity Bonds if the following conditions shall be met and complied with at the time of issuance of such Future Parity Bonds:

- A. There shall be no deficiency in the Bond Fund.
- B. The ordinance authorizing the Future Parity Bonds shall provide that all ULID Assessments shall be paid directly into the Bond Fund, except for any prepaid assessments permitted by law to be paid into a construction fund or account.
- C. The ordinance authorizing the Future Parity Bonds shall provide for payment out of the Bond Fund of the principal thereof, interest thereon and the sinking fund payments for any Term Bonds.
- D. The ordinance authorizing the Future Parity Bonds shall provide for the deposit into the Reserve Account of (i) an amount, if any, necessary to fund the Reserve Requirement upon the issuance of those Future Parity Bonds from Future Parity Bond proceeds or other money legally available, or (ii) Reserve Insurance or an amount plus Reserve Insurance necessary to fund the Reserve Requirement upon the issuance of those Future Parity Bonds, or

(iii) amounts necessary to fund the Reserve Requirement from ULID Assessments and Net Revenue within five years from the date of issuance of those Future Parity Bonds, in five approximately equal annual payments.

E. There shall be on file with the City either:

(1) a certificate of the City Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Net Revenue was at least equal to 1.05 times Annual Debt Service for all Parity Bonds plus the Future Parity Bonds proposed to be issued (and assuming that the debt service of the proposed Future Parity Bonds for that 12-month period was the average Annual Debt Service for those proposed bonds);

or

(2) a certificate of an independent professional engineer licensed in the State of Washington or certified public accountant familiar with the operations and rate setting of facilities similar to the System showing that the Net Revenue determined and adjusted as hereafter provided for each calendar or fiscal year after the issuance of such Future Parity Bonds (the "Adjusted Net Revenue") will be at least equal to 1.05 times Adjusted Annual Debt Service.

The Adjusted Net Revenue shall be the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds as adjusted by such engineer or accountant to take into consideration changes in Net Revenue estimated to occur under the following conditions for each year after such delivery for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be outstanding:

(a) the additional Net Revenue that would have been received if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 12-month period, had been in force during the full 12-month period;

(b) the additional Net Revenue that would have been received if any facility of the System that became fully operational after the beginning of such 12-month period had been so operating for the entire period;

(c) the additional Net Revenue estimated by such engineer or accountant to be received as a result of any additions, betterments and improvements to and extensions of any facilities of the System that are (i) under construction at the time of such certificate or (ii) will be constructed from the proceeds of the Future Parity Bonds to be issued;

(d) the additional Net Revenue that would have been received if any customers added to the System during such 12-month period had been customers for the entire period; and

(e) the additional Net Revenue estimated to be received from anticipated growth in customers during the next year, not to exceed 2% for any growth not attributable to annexation, after the delivery of such proposed Future Parity Bonds.

Such engineer or accountant may rely upon, and his/her certificate shall have attached thereto, financial statements of the System certified by the City Finance Director showing income and expenses for the period upon which the same is based.

If the Future Parity Bonds proposed to be issued are for the sole purpose of refunding outstanding bonds payable from the Bond Fund, no such coverage certification shall be required if the Adjusted Annual Debt Service on the Parity Bonds after the issuance of the Future Parity Bonds is not, for any year in which the Parity Bonds being refunded were outstanding, more than \$5,000 over the Adjusted Annual Debt Service on the Parity Bonds prior to the issuance of those Future Parity Bonds.

Nothing herein contained shall prevent the City from issuing revenue bonds, notes or other obligations having a lien on the Revenue of the System subordinate to that of the Bonds or from pledging the payment of utility local improvement district assessments into a redemption fund or account created to pay and secure the payment of the principal of and interest on such subordinated obligations as long as such assessments are levied to pay part or all of the cost of improvements being constructed out of the proceeds of the sale of such subordinated obligations.

Section 18. Form of the Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

No. \_\_\_\_\_ \$ \_\_\_\_\_

STATE OF WASHINGTON

CITY OF MONROE  
WATER AND SEWER REVENUE BOND, 2011

INTEREST RATE: \_\_\_\_\_ MATURITY DATE: \_\_\_\_\_ CUSIP NO.: \_\_\_\_\_

REGISTERED OWNER: CEDE & CO.

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

The City of Monroe, Washington (the "City") a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (the "City"), promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the City known as the "Water and Sewer Revenue Bond Fund" (the "Bond Fund") the Principal Amount indicated above and to pay interest thereon from the Bond Fund from the date of this bond, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable semiannually on the first days of each June and December beginning on June 1, 2012. The principal of, premium, if any, and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") by the City to The Depository Trust Company ("DTC"). Principal shall be paid as provided in the Letter of Representations to the Registered

Owner or assigns upon presentation and surrender of this bond at the principal office of the fiscal agency of the State of Washington in New York, New York (the "Registrar"). Capitalized terms used in this bond which are not specifically defined have the meanings given such terms in Ordinance No. 015/2011 of the City (the "Bond Ordinance").

This bond is one of an authorized issue of bonds of the City of like date and tenor except as to number, amount, rate of interest and date of maturity in the aggregate principal amount of \$15,260,000. This issue of bonds is authorized by the Bond Ordinance for the purpose of providing money to pay costs of certain improvements to the water and sewer and storm drainage systems of the City (the "System"), all in conformity with the laws of the State of Washington and ordinances of the City.

The City has irrevocably obligated and bound itself to deposit into the Bond Fund out of the revenue of the System or from such other money as may be provided therefor certain amounts necessary to pay and secure the payment of the principal and interest on such bonds.

The bonds of this issue are not general obligations of the City.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and duly adopted ordinances of the City. The City hereby covenants and agrees with the owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Ordinance to be by it kept and performed, and reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

The City does hereby pledge and bind itself to set aside from the Revenue Fund out of the revenue of the System and to deposit into the Bond Fund and the reserve account created therein the various amounts required by the Bond Ordinance to be paid into and maintained in such fund and account, all within the times provided by the Bond Ordinance.

To the extent more particularly provided by the Bond Ordinance, the amounts so pledged to be paid from the Revenue Fund out of the revenue of the System into the Bond Fund and the reserve account therein shall be a lien and charge thereon equal in rank to the lien and charge upon said revenue of the amounts required to pay and secure the payment of the principal of and interest on the City's Water and Sewer Revenue Refunding Bond, 2005 and the City's Water and Sewer Revenue and Refunding Bonds, 2009 and any revenue bonds of the City hereafter issued on a parity with the bonds of this issue, and superior to all other liens and charges of any kind or nature except the Costs of Maintenance and Operation of the System.

The City has further bound itself to maintain the System in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rates and charges for as long as any of the bonds of this issue are outstanding that will make available, for the payment of the principal thereof and interest thereon as the same shall become due, net revenue in an amount which will be at least equal to 1.05 times Adjusted Annual Debt Service.

The pledge of revenue of the System and other obligations of the City under the Bond Ordinance may be discharged at or prior to the maturity or redemption of the bonds of this issue

upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

The bonds are subject to redemption prior to their maturity as provided in the Bond Ordinance.

The bonds of this issue are interchangeable for bonds of any authorized denomination of equal aggregate principal amount and of the same interest rate and maturity upon presentation and surrender to the Bond Registrar.

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 that all acts, conditions, and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done, and performed precedent to and in the issuance of this bond have happened, been done, and performed.

IN WITNESS WHEREOF, the City has caused this bond to be signed with the facsimile or manual signature of the Mayor, to be attested by the facsimile or manual signature of the Deputy City Clerk, and the corporate seal of the City to be imprinted or impressed hereon, all as of this 28<sup>th</sup> day of June, 2011.

CITY OF MONROE, WASHINGTON

By \_\_\_\_\_ /s/ facsimile or manual  
Mayor

(SEAL)

ATTEST:

\_\_\_\_\_/s/ facsimile or manual  
Deputy City Clerk

CERTIFICATE OF AUTHENTICATION

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

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Water and Sewer Revenue Bonds, 2011 of the City of Monroe, Washington, dated June 28, 2011.

WASHINGTON STATE FISCAL  
AGENCY, Bond Registrar

By \_\_\_\_\_  
Authorized Signer

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER  
IDENTIFICATION NUMBER OF TRANSFEREE

[Empty rectangular box for Social Security or Taxpayer Identification Number]

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

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

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

NOTE: The signature on 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.

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be guaranteed pursuant to law.

Section 19. Execution of the Bonds. The Bonds shall be signed on behalf of the City by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk and shall have the seal of the City impressed or a facsimile thereof imprinted 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 Bond so authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the City before the Bonds so signed shall have been registered, or issued by the City, such Bonds may nevertheless be registered, delivered and issued and upon such registration, 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 Bonds may also be signed and attested on behalf of the City by such persons as at the actual date of execution of the Bonds

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

Section 20. Lost or Stolen Bonds. In case a Bond of this issue shall be lost, stolen or destroyed, the Bond Registrar may deliver a new bond of like amount, date, interest rate, tenor, and effect to the registered owner or nominee thereof upon the owner paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to said Bond Registrar that such bond was actually lost, stolen or destroyed and ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Section 21. Additional or Supplemental Ordinances.

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

(1) To add to the covenants and agreements of the City contained in this ordinance other covenants and agreements thereafter to be observed which shall not adversely affect the interests of the owners of any Parity Bonds or to surrender any right or power reserved to or conferred upon the City.

(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 any ordinance authorizing Future Parity Bonds in regard to matters or questions arising under such ordinances as the Council may deem necessary or desirable and not inconsistent with such ordinances and which shall not adversely affect the interest of the owners of the Parity Bonds. Any such supplemental ordinance of the City may be passed without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of Subsection B of this section, if the City obtains an opinion of nationally recognized bond counsel to the effect that such supplemental ordinance will not adversely effect the interests of the owners of Parity Bonds.

B. With the consent of the owners of not less than 65% in aggregate principal amount of the 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 Parity Bonds, or reduce the rate of interest thereon, or extend the times of payment of interest thereon from their due dates, 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 bond so affected; or

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

It shall not be necessary for the consent of bondowners 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 of all owners of Parity Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, 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.

Section 22. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the refunding or defeasance. If money and/or Government Obligations (as defined in chapter 39.53 RCW, as now or hereafter amended) maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased Bonds (hereinafter called the "trust account"), then all right and interest of the owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. The owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the City may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine. If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of Representations for notices of redemption of Bonds.

Section 23. Approval of Bond Purchase Contract. D.A. Davidson & Co. of Seattle, Washington, has presented a purchase contract (the "Bond Purchase Contract") to the City offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the City and is incorporated herein by this reference. The City Council finds that entering into the Bond Purchase Contract is in the City's best interest and therefore accepts the offer contained therein and authorizes its execution by City officials.



The Bonds will be printed at the City's expense and will be delivered to the purchaser in accordance with the Bond Purchase Contract, with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the Bonds.

The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 24. Preliminary Official Statement Deemed Final. The City Council has been provided with copies of a preliminary official statement dated June 6, 2011 (the "Preliminary Official Statement"), prepared in connection with the sale of the Bonds. For the sole purpose of the Bond purchaser's compliance with Securities and Exchange Commission Rule 15c2-12(b)(1), the City "deems final" that Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, options of redemption, delivery dates, ratings and other terms of the Bonds dependent on such matters.

Section 25. Undertaking to Provide Continuing Disclosure. To meet the requirements of United States Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule"), as applicable to a participating underwriter for the Bonds, the City makes the following written undertaking (the "Undertaking") for the benefit of holders of the Bonds:

A. Undertaking to Provide Annual Financial Information and Notice of Material Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(1) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in subsection (B) of this section ("annual financial information").

(2) Timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (g) modifications to rights of holders of the Bonds, if material; (h) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material and tender offers; (i) defeasances; (j) release, substitution, or sale of property securing repayment of the Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the City or other obligated person (a "Bankruptcy Event"); (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

A Bankruptcy Event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(3) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (B) of this section.

B. Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in subsection (A) of this section:

(1) Shall consist of (a) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles promulgated by the Government Accounting Standards Board ("GASB"), as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (b) the outstanding long-term indebtedness of the System, identifying separately Parity Bonds and any other debt of the System and the debt service coverage ratios; and (c) rates for the System and number of customers of the System;

(2) Shall be provided to the MSRB, not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 2010; and

(3) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the internet website of the MSRB or filed with the SEC.

C. Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by the Rule.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

D. Beneficiaries. The Undertaking evidenced by this section shall inure to the benefit of the City and any holder of Bonds, and shall not inure to the benefit of or create any rights in any other person.

E. Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of the Rule which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

F. Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

G. Designation of Official Responsible to Administer Undertaking. The Finance Director of the City (or such other officer of the City who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the City in respect of the Bonds set forth in this section and in accordance with the Rule, including, without limitation, the following actions:

(1) Preparing and filing the annual financial information undertaken to be provided;

(2) Determining whether any event specified in subsection (A) has occurred, assessing its materiality with respect to the Bonds, and, if material, preparing and disseminating notice of its occurrence;

(3) Determining whether any person other than the City is an "obligated person" within the meaning of the Rule with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of material events for that person in accordance with the Rule;

(4) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the City in carrying out the Undertaking; and

(5) Effecting any necessary amendment of the Undertaking.

Section 26. Consolidation. As permitted by Ordinances No. 020/2005 and 009/2009, authorizing the issuance of the 2005 Bond and the 2009 Bonds, respectively, the Stormwater

Management Utility is hereby combined with the Water and Sewer System for financing purposes.

Section 27. 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 28. Ratification. Any action consistent with the authority but prior to the effective date of this ordinance is hereby ratified and confirmed.

Section 29. Effective Date. This ordinance shall become effective five days after its passage and publication as required by law.

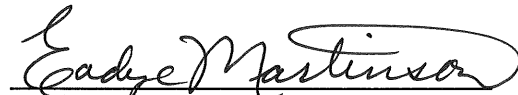
PASSED by the City Council of City of Monroe, Washington, at a regular meeting thereof this 14<sup>th</sup> day of June, 2011.

1<sup>st</sup> Reading: 6/7/11  
2<sup>nd</sup> Reading: 6/14/11  
Published: 6/21/11  
Effective: 6/26/11


CITY OF MONROE, WASHINGTON:

  
\_\_\_\_\_  
Robert Zimmerman, Mayor

ATTEST/AUTHENTICATED:

  
\_\_\_\_\_  
Eadye Martinson, Deputy City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Zach Lell, City Attorney  
(Prepared by Bond Counsel)