

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 3675

AN ORDINANCE of the City of Bellevue, Washington, providing for the issuance of \$5,670,000 principal amount of Unlimited Tax General Obligation Refunding Bonds, 1986, of the City for the purpose of providing the funds to refund, pay and retire a portion of its outstanding General Obligation Public Safety Bonds, 1981; fixing the date, form, maturities, interest rates, terms and covenants of such refunding bonds; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of such bonds and for the use and application of the money to be derived from such investments; authorizing the execution of an agreement with Seattle-First National Bank of Seattle, Washington, as Refunding Trustee; providing for the payment and redemption of the outstanding bonds to be refunded; and approving the sale and providing for the delivery of such refunding bonds to Shearson Lehman Brothers Inc., Foster & Marshall Division, of Seattle, Washington.

WHEREAS, the City now has outstanding its General Obligation Public Safety Bonds, 1981 (the "1981 Bonds") dated April 1, 1981, in the original principal amount of \$6,600,000, issued pursuant to Ordinance No. 2946; and

WHEREAS, pursuant to Ordinance No. 2946, the City reserved the right to redeem any or all of the 1981 Bonds prior to their stated maturity dates on April 1, 1991, or on any interest payment date thereafter at par plus accrued interest; and

WHEREAS, there are presently outstanding \$4,815,000 principal amount of 1981 Bonds maturing serially on April 1 of each of the years 1992 through 2001 and having various interest rates from 9.00% to 10.00% per annum; and

WHEREAS, after due consideration, it appears to the City Council that the 1981 Bonds maturing in the years 1992 through 2001 may be refunded by the issuance and sale of the bonds authorized herein (the "Bonds") so that a substantial savings will be effected by the difference between the principal and interest costs over the life of the Bonds and the principal and interest requirements over the life of the 1981 Bonds maturing

in the years 1992 through 2001 but for such refunding, which refunding will be effected by:

(a) the issuance of the Bonds; and

(b) the payment of the interest on the 1981 Bonds maturing in the years 1992 through 2001 as the same shall become due up to and including April 1, 1991, and, on April 1, 1991, the call, payment and redemption of all outstanding 1981 Bonds maturing in the years 1992 through 2001 at par;

and

WHEREAS, in order to effect such refunding in the manner that will be the most advantageous to the City and its taxpayers, it is found necessary and advisable that certain acquired obligations (hereinafter identified), bearing interest and maturing at such times as necessary to accomplish the refunding as aforesaid be purchased out of the proceeds of the sale of the Bonds and other money of the City legally available therefor; and

WHEREAS, Shearson Lehman Brothers Inc., Foster & Marshall Division, has offered to purchase such Bonds under the terms and conditions hereinafter set forth in the form of a purchase contract; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DO ORDAIN as follows:

Section 1. For the purpose of providing a part of the money required to pay the interest on the 1981 Bonds maturing on April 1 of each of the years 1992 through 2001 (the "1981 Refunded Bonds") as the same shall become due up to and including April 1, 1991, and, on April 1, 1991, to call, pay and redeem at par all outstanding 1981 Refunded Bonds (the "Refunding Plan"), and to pay the costs of issuance and sale of the Bonds, the City shall issue the Bonds in the principal amount of \$5,670,000. The Bonds shall be dated July 1, 1986; shall be in the denomination of \$5,000 or any integral multiple thereof within a single maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar (collectively, the fiscal agencies of the State of Washington located in Seattle, Washington and New York, New York) deems necessary for purpose of identification; shall bear interest at the rates set forth below (computed on the basis of a 360-day year of twelve 30-day months), payable on October 1, 1986, and semiannually thereafter on each succeeding April 1 and October 1; and shall bear interest at the rates and mature on April 1 in years and amounts as follows:

| <u>Maturity Years</u> | <u>Amounts</u> | <u>Interest Rates</u> |
|---------------------------|----------------|---------------------------|
| 1987 | \$180,000 | 4.50% |
| 1988 | 60,000 | 5.00% |
| 1989 | 65,000 | 5.50% |
| 1990 | 65,000 | 5.75% |
| 1991 | 70,000 | 5.90% |
| 1992 | 380,000 | 6.10% |
| 1993 | 405,000 | 6.30% |
| 1994 | 435,000 | 6.50% |
| 1995 | 465,000 | 6.70% |
| 1996 | 500,000 | 6.90% |
| 1997 | 530,000 | 7.00% |
| 1998 | 570,000 | 7.00% |
| 1999 | 605,000 | 7.00% |
| 2000 | 650,000 | 7.00% |
| 2001 | 690,000 | 7.00% |

If any Bond is not redeemed upon proper presentment at its maturity or call date, the City shall be obligated to pay interest at the same rate for each such Bond from and after its maturity or call date until such Bond, both principal and interest, is paid in full or until sufficient money for such payment in full is on deposit in the bond redemption fund and such Bond has been called for payment.

Upon surrender thereof to the Bond Registrar, Bonds 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. Such exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be required to exchange or transfer any Bond during the fifteen days preceding any principal payment or redemption date.

The Bonds shall be issued only in registered form as to both principal and interest and recorded in the books and 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 Bonds held by each owner.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owners at the addresses appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date or, when requested in writing by a

registered owner and approved by the City Finance Director, shall be paid on the interest payment date by wire transfer to the account identified by the requesting registered owner whose name, address and wire transfer account number appear on the Bond Register fifteen days preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either office of the Bond Registrar, in Seattle, Washington, and New York, New York, at the option of such owners.

Bonds maturing in the years 1987 through 1996 shall be issued without the right or option of the City to redeem the same prior to their stated maturity dates. The City reserves the right and option to redeem the Bonds maturing in the years 1997 through 2001, as a whole, or in part in inverse order of maturity (and by lot within a maturity in such manner as the Bond Registrar shall determine), on April 1, 1996, and on any interest payment date thereafter, at par plus accrued interest to the date of redemption. Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple of \$5,000, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond or Bonds, at the option of the registered owner, of like maturity and interest rate in any of the denominations authorized by this ordinance.

Notice of any such intended redemption shall be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register. The requirements of this section shall be deemed to be complied with when notice is mailed as herein provided, whether or not it is actually received by the owner of any Bond. The interest on the Bonds so called for redemption shall cease on the date fixed for redemption unless such Bond or Bonds so called are not redeemed upon presentation made pursuant to such call. In addition, such redemption notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, or their successors, but such mailing shall not be a condition precedent to the redemption of such Bonds.

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

Section 2. The City irrevocably pledges to levy taxes annually for as long as any of the Bonds are outstanding without

limitation as to rate or amount on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay the principal of and interest on the Bonds as the same shall become due, and the full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 3. The Bonds shall be printed on lithographed or good bond paper in a form consistent with the provisions of this ordinance and state law, shall be signed by the Mayor and City Clerk, both of whose signatures shall be in facsimile, and a facsimile reproduction of the seal of the City shall be printed thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the following form, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This bond is one of the fully registered City of Bellevue, Washington, Unlimited Tax General Obligation Refunding Bonds, 1986, described in the Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By _____
Authorized Signature

Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

In case either or both of the officers who shall have executed the Bonds shall cease to be such officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar or issued by the City, such Bonds nevertheless may be authenticated, delivered and issued and upon such authentication, delivery and issue, shall be as binding upon the City as though those whose facsimile signatures appear on the Bonds had continued to be such officers of the City. Any Bond also may be signed on behalf of the City by such persons as at the actual date of execution of such Bond shall be proper officers of the City authorized to execute Bonds although on the original date of such Bond such persons were not such officers of the City.

Section 4. 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 Bonds which shall at all times be open to inspection by the City.

The Bond Registrar shall be responsible for its representations contained in the 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 5. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 6. The Interest and Debt Redemption Special Levy Fund No. 213 (the "Bond Fund") previously has been created and established in the office of the City Finance Director. The proceeds of the sale of the Bonds, exclusive of the accrued interest thereon which shall be paid into the Bond Fund, shall be deposited immediately upon the receipt thereof with Seattle-First National Bank (the "Refunding Trustee") to discharge the obligations of the City under Ordinance No. 2946 authorizing the 1981 Bonds by providing for the payment of the amounts required to be paid by the Refunding Plan and to pay the costs of issuance and sale of the Bonds. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of United States Treasury Certificates of Indebtedness, Notes and/or Bonds - State and Local Government Series and other direct obligations of the United States of America (the "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with the beginning cash balance, if any (which may be increased or decreased), for the payment of the amounts required to be made by the Refunding Plan.

The Acquired Obligations are more particularly described and are set forth in Schedule A attached to the Refunding Trust Agreement hereinafter referred to and attached hereto as Exhibit A.

Prior to the purchase of any such Acquired Obligations, the City reserves the right to substitute other direct obligations of the United States of America for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if, in the opinion of Roberts & Shefelman, the City's bond counsel, (a) the Bonds will remain exempt from

federal income taxation under Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder, and (b) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan.

After the purchase of the Acquired Obligations by the Refunding Trustee, the City reserves the right to substitute therefor cash, direct obligations of the United States of America, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, making all required payments when due, that such substitution will not cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue date of the Bonds and that the City obtains, at its expense: (1) an independent verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee concerning the adequacy of such substituted securities with respect to the principal of and the interest thereon and any other money or securities held for such purpose to carry out the Refunding Plan, making all required payments at the times provided; and (2) an opinion from Roberts & Shefelman, bond counsel to the City, its successor, or other nationally recognized bond counsel, to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable to the Bonds, cause the interest on the Bonds not to be exempt from federal income taxation and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Refunding Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor of direct obligations of the United States of America shall be released from the trust estate and transferred to the City to be used for any lawful City purpose.

The Refunding Trustee is authorized and directed to purchase the Acquired Obligations and to make the payments required to be made by the Refunding Plan from the Acquired Obligations and money deposited with the Refunding Trustee pursuant to the previous section of this ordinance. All Acquired Obligations and the money deposited with the Refunding Trustee and any income therefrom shall be held, invested and applied in accordance with the provisions of Ordinance No. 2946, this ordinance, Chapter 39.53 RCW and other applicable statutes of the State of Washington.

All necessary and proper fees, compensation and expenses of the Refunding Trustee for the Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the 1981 Refunded Bonds and costs related to the issuance and delivery of the Bonds including bond printing, rating service fees, bond counsel's fees and other related expenses shall be paid out of the proceeds of the Bonds.

In order to carry out the purposes of this ordinance the Mayor and City Clerk of the City are authorized and directed to execute a Refunding Trust Agreement substantially in the form attached hereto marked Exhibit A and by this reference made a part hereof, setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption and retirement of the 1981 Refunded Bonds as provided herein and stating that such provisions for the payment of the fees, compensation and expenses of such Refunding Trustee are satisfactory to it.

Section 7. The City calls for redemption on April 1, 1991, all of the outstanding 1981 Refunded Bonds at par plus accrued interest to the date of such redemption.

Such call for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof.

The proper City officials are authorized and directed to give such notice as required, at the time and in the manner required, pursuant to Ordinance No. 2946 in order to effect the redemption prior to their maturity of the 1981 Refunded Bonds on April 1, 1991.

Section 8. The City Council finds and determines that the issuance and sale of the Bonds at this time will effect a saving to the City and its taxpayers and is in the best interest of the City and in the public interest. In making such finding and determination, the City Council has given consideration to the fixed maturities of the Bonds and the 1981 Refunded Bonds, the costs of issuance of the Bonds and the known earned income from the investment of the proceeds of sale of the Bonds used in the Refunding Plan pending payment and redemption of the 1981 Refunded Bonds.

The City Council further finds and determines that the money to be deposited with the Refunding Trustee for the 1981 Refunded Bonds in accordance with Section 6 of this ordinance will discharge and satisfy the obligations of the City under Ordinance No. 2946 with respect to the 1981 Refunded Bonds and the pledges, charges, trusts, covenants and agreements of the City therein made or provided for as to the 1981 Refunded Bonds and that the 1981 Refunded Bonds no longer shall be deemed to be

outstanding under such ordinance immediately upon the deposit of such money with the Refunding Trustee.

Section 9. The City will not take or permit to be taken on its behalf any action which would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may be permitted by law and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds. Without limiting the generality of the foregoing, the City will not invest or make other use of the proceeds of the Bonds or of its other money at any time during the term of the Bonds which, if such investment or other use had been reasonably expected at the date that the Bonds are issued, would have caused such Bonds to be arbitrage bonds within the meaning of Section 103(c) of the United States Internal Revenue Code of 1954, as amended, and applicable regulations thereunder.

In addition, if future federal laws or regulations require the payment by the City of any federal tax or rebate or the observing of any other requirement to maintain the exemption from federal income taxation of the interest on the Bonds, the City shall make any such payment and observe any such requirement to the extent permitted by law.

The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certifications may not be relied upon.

Section 10. The City may issue advance refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay the principal of and interest on the Bonds, or such portion thereof included in a refunding or defeasance plan, as the same become due and payable and to redeem and retire, defease or refund all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of such refunding or defeasance. In the event that money and/or "government obligations," as such obligations are defined in Chapter 39.53 RCW, as now or hereafter amended, maturing at such time or times and bearing interest thereon, in amounts (together with such money, if necessary) sufficient to redeem and retire, defease or refund the defeased Bonds in accordance with their terms, are set aside irrevocably in a special fund for and pledged to such redemption and retirement (hereinafter called the "trust account") and are pledged irrevocably for such purpose, then all right and interest of the owners of the defeased Bonds in the covenants of this ordinance and, except as hereinafter provided, in the funds and accounts obligated to the payment of such defeased Bonds thereafter shall cease and become void. Such owners thereafter

shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account, and the defeased Bonds shall be deemed not to be outstanding hereunder. Anything herein to the contrary notwithstanding, the pledge of the full faith, credit and taxing power of the City to the payment of the Bonds shall remain in full force and effect after the establishing and full funding of the trust account. Subject to the rights of the owners of the Bonds, the City then 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.

Section 11. Pending the printing, execution and delivery to the purchaser of the definitive Bonds, the City may cause to be executed and delivered to such purchaser a single temporary Bond in the total principal amount of the Bonds. Such temporary Bond shall bear the same date of issuance, interest rates, principal payment dates, options of redemption, terms and covenants as the definitive Bonds, and shall be issued as a fully registered Bond in the name of such purchaser, and shall be in such form as is acceptable to such purchaser. Such temporary Bond shall be exchanged for the definitive Bonds as soon as the same are printed, authenticated and available for delivery. If the Acquired Obligations are not acquired by the Refunding Trustee and the definitive Bonds are not ready for exchange and delivery within 45 days from the date of delivery of the temporary Bond, such temporary Bond shall be immediately retired at the original purchase price thereof plus accrued interest from money deposited with the Refunding Trustee.

Section 12. Shearson Lehman Brothers Inc., Foster & Marshall Division, Seattle, Washington, has presented a Bond Purchase Agreement (the "Purchase Agreement") to the City whereunder Shearson Lehman Brothers Inc., Foster & Marshall Division, has offered to purchase the Bonds under the terms and conditions provided in the Purchase Agreement and to subscribe for on behalf of the City the Acquired Obligations at the prices specified in Schedule A of Exhibit A (subject to substitution), which written Purchase Agreement is on file with the City Clerk and is attached hereto as Exhibit B and incorporated herein by this reference. The City Council finds that entering into the Purchase Agreement is in the City's best interest and therefore accepts the offer contained in the Purchase Agreement and authorizes the execution of the Purchase Agreement by City officials.

The Bonds will be printed at City expense and will be delivered to the purchaser in accordance with the Purchase Agreement offer with the approving legal opinion of Roberts & Shefelman, municipal bond counsel of Seattle, Washington, relative to the issuance of the Bonds, printed on each Bond.

Bond counsel shall not be required to review or express any opinion concerning the completeness or accuracy of any official statement, offering circular or other sales material issued or used in connection with the Bonds and bond counsel's opinion shall so state.

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 13. This ordinance shall take effect and be in force five days after its passage and legal publication.

PASSED by the City Council this 7th day of July, 1986, and signed in authentication of its passage this 7th day of July, 1986.



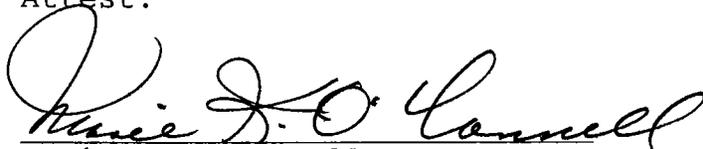
Cary E. Bozeman, Mayor

Approved as to form:



Richard L. Andrews
City Attorney

Attest:



Marie K. O'Connell
City Clerk

Published:

1188b

EXHIBIT A

REFUNDING TRUST AGREEMENT

THIS AGREEMENT made and entered into as of the 29th day of July, 1986, by and between the CITY OF BELLEVUE, WASHINGTON (the "City"), a municipal corporation, and SEATTLE-FIRST NATIONAL BANK, Seattle, Washington (the "Refunding Trustee").

WHEREAS, the City now has outstanding \$4,815,000 principal amount of General Obligation Public Safety Bonds, 1981 dated April 1, 1981, maturing serially on April 1 of each of the years 1992 through 2001 (the "1981 Refunded Bonds"), and bearing various interest rates from 9.00% to 10.00% per annum, and, pursuant to Ordinance No. 3675 of the City (the "Refunding Bond Ordinance"), the City has determined to pay the interest on the 1981 Refunded Bonds as the same shall become due up to and including April 1, 1991, and, on April 1, 1991, to call, pay and redeem all of the outstanding 1981 Refunded Bonds at par out of the proceeds of the sale of its Unlimited Tax General Obligation Refunding Bonds, 1986 (the "Refunding Bonds"), and other City money legally available therefor for the purpose of effecting a savings by the City in debt service on the 1981 Refunded Bonds; and

WHEREAS, the payment, through advance refunding, of the 1981 Refunded Bonds will be accomplished pursuant to this Refunding Trust Agreement (including the schedules attached hereto) and the Refunding Bond Ordinance, which documents

provide for and, for the purpose of Section 103 of the Internal Revenue Code of 1954, as amended (the "Internal Revenue Code"), are to be considered as the Refunding Plan by:

(a) The delivery by the City to the Refunding Trustee of all the net proceeds of the Refunding Bonds (except for the amount necessary to pay the expenses of carrying out the Refunding Plan).

(b) The purchase by the Refunding Trustee of the Acquired Obligations listed on Schedule A attached hereto and made a part hereof by this reference or substituted direct obligations purchased at or prior to the date of closing pursuant to Section 2 below (the "Acquired Obligations");

(c) The delivery to the City and the Refunding Trustee of an independent verification by a nationally recognized independent certified public accounting firm verifying the mathematical accuracy of the computations (which computations shall be attached to that report) showing that the Acquired Obligations to be purchased by the Refunding Trustee pursuant to this Refunding Trust Agreement, together with the maturing principal of and interest on such Acquired Obligations and the beginning cash balance; will provide sufficient money (assuming that all the principal of and the interest on the Acquired Obligations is paid on the due dates thereof) to pay the interest on the 1981 Refunded Bonds up to and including

April 1, 1991, and, on April 1, 1991, call, pay and redeem all remaining outstanding 1981 Refunded Bonds at par;

(d) The receipt by the Refunding Trustee of the maturing installments of principal of and interest on the Acquired Obligations; and

(e) The Refunding Trustee's payment from time to time to the fiscal agencies of the State of Washington (collectively the "Fiscal Agency"), duly appointed from time to time by the State Finance Committee, of money sufficient to make the payments on the 1981 Refunded Bonds set forth in the Refunding Plan; and

WHEREAS, the City Council has found that the advance refunding of the 1981 Refunded Bonds, through the issuance of the Refunding Bonds, is beneficial and will effect a savings to the City; and

WHEREAS, the City Council, pursuant to the Bond Ordinance, has duly and validly authorized the execution and delivery of this Refunding Trust Agreement, the delivery of the proceeds of the Refunding Bonds to the Refunding Trustee, the purchase by the Refunding Trustee of the Acquired Obligations and the carrying out of the Refunding Plan;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, for the benefit of the owners of the 1981 Refunded Bonds and the Refunding Bonds, the parties hereto covenant as follows:

Section 1. Delivery of Money to Escrow Agent. On the date of delivery of the Refunding Bonds (the "Date of Closing"), the City shall cause to be delivered to the Refunding Trustee \$5,536,057.15 derived from proceeds of the Refunding Bonds.

Section 2. Investment and Expenditure of Money. On the Date of Closing, the Refunding Trustee shall apply \$5,484,000 to pay, on behalf of the City, the subscription or purchase prices for the purchase of the Acquired Obligations, in the principal amounts, with the dates of maturity, at the prices and at the interest rates or yields set forth in Schedule A. Upon receipt thereof, the Refunding Trustee shall deliver to the City copies of the documents evidencing the purchase of and payment for the Acquired Obligations.

The City reserves the right at or prior to the Date of Closing to substitute other direct United States obligations or cash for any of the Acquired Obligations if (a) in the opinion of Roberts & Shefelman, bond counsel for the City, the Refunding Bonds will remain exempt from Federal income taxation under Section 103(c) of the Internal Revenue Code, and (b) an independent verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee is obtained verifying that such substitution shall not impair the timely payment of the amounts required to be paid under the Refunding Plan.

On the Date of Closing, the Refunding Trustee shall pay the costs of issuance and sale of the Bonds from the remaining Bond

proceeds and, if not, all of such remaining proceeds are required to pay these costs, shall return any unspent proceeds to the City.

Section 3. Sufficiency of Acquired Obligations and Open Market Investments. The City represents that the Acquired Obligations and the maturing principal thereof and the interest thereon, if paid when due, together with any beginning cash balance, shall be sufficient to to make all payments required by the Refunding Plan when due. Such amounts coming due are sometimes referred to hereafter as the "payments described in Section 3." The schedules of the amounts, maturities and interest rates or yields of the Acquired Obligations and of the 1981 Refunded Bonds which will fulfill the foregoing requirements are set forth in the Verification.

Section 4. Collection of Proceeds of Acquired Obligations and Application of Such Proceeds and Money. The Refunding Trustee shall present for payment and shall collect and receive, on the due dates thereof, the maturing installments of the principal of and the interest on the Acquired Obligations and any Substitute Obligations (defined hereinafter). The Refunding Trustee shall make timely payment, from time to time, to the City or the Fiscal Agency of the amounts to be paid on the 1981 Refunded Bonds shown and on the dates shown in the Verification. Those payments shall be made by check, wire transfer or such other method of transfer of funds as shall be agreed from time to time by the Refunding Trustee and the Fiscal

Agency. The Refunding Trustee shall give timely notice of call for redemption of the 1981 Refunded Bonds.

Section 5. All Obligations and Money and Proceeds Thereof Held in Trust. The Refunding Trustee irrevocably agrees to hold the Acquired Obligations, the Substitute Obligations, if any, the principal thereof and interest thereon, and any other money which it may receive pursuant to this Refunding Trust Agreement, and any reinvestments thereof made pursuant to Sections 6 and 7 hereof, in trust and separate from all other funds and investments held by the Refunding Trustee, solely for the purpose of making the payments described in Section 3. The City irrevocably conveys, transfers and assigns to the Refunding Trustee the Acquired Obligations, any Substitute Obligations, the principal thereof and the interest thereon, and any other money deposited with the Refunding Trustee pursuant to this Refunding Trust Agreement, for the purpose of making such payments. The Refunding Trustee shall not sell, transfer, assign or hypothecate any Acquired Obligations or Substitute Obligations except pursuant to Sections 7 and 8 hereof.

Section 6. Reports and Notice of Insufficiency. For as long as any part of the 1981 Refunded Bonds is outstanding, the Refunding Trustee shall submit reports to the City at least semiannually setting forth the Acquired Obligations and any Substitute Obligations held hereunder by the Refunding Trustee, any of such obligations which have matured and amounts received by the Refunding Trustee by reason of such maturity, the

interest earned on such obligations, a list of any investments or reinvestments made by the Refunding Trustee in other obligations and the interest and/or principal derived therefrom, the amounts paid to the Fiscal Agency and any other transactions of the Refunding Trustee pertaining to its duties and obligations as set forth herein.

In the event the maturing principal of and interest on the Acquired Obligations, any Substitute Obligations and other money held by the Refunding Trustee pursuant to this Refunding Trust Agreement shall be insufficient or shall be projected to become insufficient at any time in the future to make a payment described in Section 3, the Refunding Trustee shall give the City prompt notice of such insufficiency or projected insufficiency.

Section 7. Substitution of Different Government Obligations or Other Investments. The City reserves the right to substitute from time to time for the Acquired Obligations initially purchased in accordance with Section 2 hereof, or for obligations purchased under this section, other direct obligations of the United States of America (the "Substitute Obligations"). Prior to effecting any such substitution, the City shall have obtained at its expense and delivered to the Refunding Trustee:

- (a) An independent verification by a nationally recognized firm of certified public accountants acceptable to the Refunding Trustee verifying the

computations which indicate that the Acquired Obligations, the Substitute Obligations and other money to be held by the Refunding Trustee for purposes of making the payment described in Section 3 will be adequate, after the proposed substitution, to make all payments described in Section 3; and

(b) An opinion from Roberts & Shefelman, bond counsel to the City, its successor or other nationally recognized bond counsel that such substitution of obligations will not cause the interest on the Refunding Bonds to become subject to federal income taxation and will not cause any Refunding Bond to become an "arbitrage bond" as defined in Section 103(c) of the Internal Revenue Code and the applicable regulations and rulings promulgated thereunder (as the same may be amended to the extent such amendments apply to the Refunding Bonds).

Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations held hereunder and the substitution therefor of Substitute Obligations shall be released from the trust estate and shall be transferred to the City to be used for any lawful City purpose.

Section 8. Reinvestment of Proceeds of Acquired and/or Substitute Obligations. The proceeds (principal and interest) and reinvestment proceeds of any Acquired Obligations and/or

Substitute Obligations purchased by the Refunding Trustee in accordance with this Refunding Trust Agreement which are not needed within five business days of the receipt thereof to make a payment described in Section 3 shall be reinvested by the Refunding Trustee (on such date of receipt), subject to the following conditions:

(a) Except as provided in Subsection (c) below, the proceeds of such Acquired Obligations and/or Substitute Obligations shall be reinvested in direct obligations of the United States of America, at not to exceed 6.97684538% yield rate, or such higher yield as may be directed by letter of instructions from the City to the Refunding Trustee, but if the composite yield on the directed investment together with past investments made pursuant to this subsection would exceed 6.97684538%, such letter of instructions shall be based upon and accompanied by the opinion of Roberts & Shefelman, bond counsel to the City, its successor, or other nationally recognized bond counsel approving reinvestment of such proceeds at such higher yield. The letter of instructions shall contain a verification of such composite yield.

(b) The obligations in which such proceeds are reinvested shall mature on the date or dates directed by the City, but not later than the next succeeding

date the principal thereof is needed to make one or more payments described in Section 3;

(c) If such proceeds, together with other funds remaining in trust, are insufficient to reinvest in the smallest denomination of such obligations or are required sooner than the shortest maturity available for such obligations, then those proceeds and funds either shall be converted to United States currency and retained or carried on the books of the Refunding Trustee until required to make a payment described in Section 3, or until sufficient money is accumulated to permit the investment thereof; and

(d) "Yield," as used in paragraphs (a) and (b) of this section means that yield computed in accordance with and permitted by the Internal Revenue Code and regulations and rulings promulgated thereunder applicable to the Refunding Bonds and the trust under this Refunding Trust Agreement so as to retain the exemption from federal income taxation of the interest on the Refunding Bonds.

Section 9. Surplus Money in Escrow. If at any time during the term of the escrow created pursuant to this Refunding Trust Agreement, there are Acquired Obligations, Substitute Obligations and/or money held by the Refunding Trustee which are in excess of that required to make all of the payments described in Section 3 in accordance with the Verification or any

subsequent verification furnished to the Refunding Trustee pursuant to Section 7(a) hereof, when due, considering the earnings to be realized on the investment of such obligations, and the City requests that such surplus obligations or the proceeds thereof or such surplus money be returned by the Refunding Trustee to the City or requests that such surplus be applied to any fees of the Refunding Trustee, then the Refunding Trustee shall do so at the times requested by the City. Before the return of any surplus to the City, the Refunding Trustee may require the City to furnish the Refunding Trustee a verification or opinion of the amount of such surplus satisfactory to the Refunding Trustee.

Section 10. Amendments to Refunding Trust Agreement. The Refunding Trustee and the City recognize that the owners from time to time of the 1981 Refunded Bonds have a beneficial interest in the Acquired Obligations, the Substitute Obligations and money to be held by the Refunding Trustee as herein provided. Therefore, this Refunding Trust Agreement shall not be subject to revocation or amendment except for the purpose of (a) clarifying any ambiguity herein; or (b) making a change requested by the City, and except if accompanied by:

(1) For purpose of clarifying an ambiguity, an opinion addressed to the City and the Refunding Trustee from Roberts & Shefelman, its successor or other nationally recognized bond counsel to the effect that such requested change does not

detrimentally affect the owners of the 1981 Refunded Bonds.

(2) For purpose of making a change requested by the City:

(i) A letter addressed to the City and the Refunding Trustee by a nationally recognized firm of certified public accountants verifying the computations which indicate that the Acquired Obligations, Substitute Obligations and other money to be retained by the Refunding Trust for the purpose of making the payments described in Section 3 will be adequate, after making the change requested by the City, to make all such payments; and

(ii) An opinion addressed to the City and the Refunding Trustee from Roberts & Shefelman, its successor or other nationally recognized bond counsel to the effect that the change requested by the City will not cause the interest on the Refunding Bonds to become subject to federal income taxation and will not cause any Bond to become an "arbitrage" bond, as defined in the Internal Revenue Code and the applicable rulings and regulations promulgated thereunder (as the same may be amended, to the

extent such amendments apply to the Refunding Bonds).

Section 11. Limitation of Refunding Trustee. None of the provisions contained in this Refunding Trust Agreement shall require the Refunding Trustee to use or advance its own funds in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Refunding Trustee shall be under no liability for the payment of interest on any funds or other property received by it hereunder except to the extent the Refunding Trustee is required by the express terms of this Refunding Trust Agreement to invest such funds.

The Refunding Trustee's liabilities and obligations in connection with this Refunding Trust Agreement are confined to those specifically described herein. The Refunding Trustee is authorized and direct to comply with the provisions of this Refunding Trust Agreement and is relieved from all liability for so doing notwithstanding any demand or notice to the contrary by any party hereto. The Refunding Trustee shall not be responsible or liable for the sufficiency, correctness, genuineness or validity of the Acquired Obligations or the Substitute Obligations deposited with it; the performance or compliance by any party other than the Refunding Trustee with the terms or conditions of any such instruments; or any loss which may occur by reason of forgeries, false representations or the exercise of the Refunding Trustee's discretion in any particular manner unless such exercise is negligent or

constitutes willful misconduct. If any controversy arises between the City and any third person, the Refunding Trustee shall not be required to determine the same or to take any action in the premises, but it may institute, in its discretion, an interpleader or other proceedings in connection therewith as it may deem proper, and in following either course, it shall not be liable.

Section 12. City Deposit of Additional Sums. The City agrees that it will deposit promptly with the Refunding Trustee the additional sum or sums of money specified in the Refunding Trustee's notice of insufficiency given pursuant to Section 6 hereof.

Section 13. Remission of Funds When Outstanding 1981 Bonds Paid in Full. At such time as the Refunding Trustee shall have received the representation of the City that all of the payments described in Section 3 have been made and the confirmation of such representation by the Fiscal Agency, together with such other evidence of such payment as shall be satisfactory to the City and the Refunding Trustee, the Refunding Trustee shall deliver forthwith or remit to the City any remaining Acquired Obligations, any Substitute Obligations and money held pursuant to this Refunding Trust Agreement.

Section 14. Compensation of Refunding Trustee. The payment arrangement heretofore made between the Refunding Trustee and the City as to compensation and expenses of the Refunding Trustee for services rendered by it pursuant to the

provisions of this Refunding Trust Agreement is satisfactory to it and to the City, and no further payment to the Refunding Trustee shall be required for such purpose. Such arrangement for compensation and expenses is intended as compensation for the ordinary services as contemplated by this Refunding Trust Agreement, and in the event that the Refunding Trustee renders any service hereunder not provided for in this Refunding Trust Agreement, or the Refunding Trustee is made a party to or intervenes in any litigation pertaining to this Refunding Trust Agreement or institutes interpleader proceedings relative hereto, the Refunding Trustee shall be compensated reasonably by the City for such extraordinary services and reimbursed for all fees, costs, liability and expenses (including reasonable attorneys' fees) occasioned thereby.

Section 15. Successor Refunding Trustee. The obligations assumed by the Refunding Trustee pursuant to this Refunding Trust Agreement may be transferred by the Refunding Trustee to a successor if (a) the Refunding Trustee has presented evidence satisfactory to the City and Roberts & Shefelman, its successor or other nationally recognized bond counsel that the successor meets the requirements of RCW 39.53.070, as now in effect or hereafter amended; (b) the successor has assumed all the obligations of the Refunding Trustee under this Refunding Trust Agreement; and (c) all the Acquired Obligations, Substitute Obligations and money then held by the Refunding

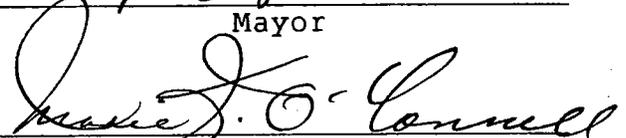
Trustee pursuant to this Refunding Trust Agreement have been duly transferred to such successor.

Section 16. Miscellaneous. This Refunding Trust Agreement is governed by Washington law and may not be modified except by a writing signed by the parties. In the event any one or more of the provisions contained in this Refunding Trust Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Refunding Trust Agreement, but this Refunding Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the parties have executed and deliver this Refunding Trust Agreement pursuant to due and proper authorization, all as of the date and year first above written.

CITY OF BELLEVUE, WASHINGTON

By 
Mayor

By 
City Clerk

SEATTLE-FIRST NATIONAL BANK

By _____
Title: _____

1192b

SCHEDULE A

Acquired Obligations

| <u>TYPE*</u> | <u>PAR AMOUNT</u> | <u>INTEREST RATE</u> | <u>MATURITY</u> |
|--------------|-----------------------|--------------------------|-----------------|
| LC | \$ 170,800 | 0.000% | 10/1/86 |
| LC | 53,600 | 0.000 | 4/1/87 |
| LN | 53,700 | 0.000 | 10/1/87 |
| LN | 53,700 | 0.000 | 4/1/88 |
| LN | 53,700 | 0.000 | 10/1/88 |
| LN | 53,600 | 3.328 | 4/1/89 |
| LN | 54,600 | 6.930 | 10/1/89 |
| LN | 56,400 | 7.000 | 4/1/90 |
| LN | 58,500 | 7.050 | 10/1/90 |
| LN | 4,875,400 | 7.100 | 4/1/91 |

*LC - State and Local government Series -
Certificate of Indebtedness

LN - State and Local Government Series -
Notes

**SHEARSON
LEHMAN
BROTHERS**

\$5,670,000
City of Bellevue, Washington
Unlimited Tax General Obligation Refunding Bonds, 1986

PURCHASE CONTRACT

July 7, 1986

Honorable Mayor and Members of
the City Council
City of Bellevue
Bellevue, Washington

Honorable Mayor and Members of the City Council:

Shearson Lehman Brothers Inc., Foster & Marshall Division (the "Purchaser"), is pleased to offer to purchase from the City of Bellevue (the "Seller") all of its \$5,670,000 principal amount of Unlimited Tax General Obligation Refunding Bonds, 1986 (the "Bonds"). This offer is based upon the terms and conditions set forth below and in Exhibit A attached, which when accepted by the Seller shall constitute the terms and conditions of our Purchase Contract for the Bonds. Those terms and conditions are as follows.

1. Prior to the date of delivery and payment for the Bonds identified in paragraph i of Exhibit A ("Closing"), the Seller shall pass the Bond Ordinance in form and substance acceptable to the Purchaser.
2. The Seller shall sell and deliver to the Purchaser, and the Purchaser shall purchase, accept delivery of and pay for the entire \$5,670,000 principal amount of the Bonds, and only that amount.
3. The Seller consents to and ratifies the use by the Purchaser of the information contained in the Preliminary Official Statement relating to the Bonds, a copy of which is on file with the City (the "Preliminary Official Statement"), in marketing the Bonds, authorizes the preparation of a Final Official Statement (the "Final Official Statement") for the Bonds containing such revisions and additions to the Preliminary Official Statement as the Finance Director of the Seller deems necessary, and further authorizes the use of the Final Official Statement in connection with the public offering and sale of the Bonds.

4. The Seller represents and warrants to, and agrees with, the Purchaser, as of the date hereof and as of the date and time of Closing, that:
- a. The Seller has and will have at Closing full legal right, power and authority to enter into and perform its obligations under this Purchase Contract and under the Bond Ordinance, to pass the Bond Ordinance and to sell and deliver the Bonds to the Purchaser;
 - b. This Purchase Contract, the Bond Ordinance and the Bonds do not and will not conflict with or create a breach of or default under any existing law, regulation, judgment, order or decree or any agreement, lease or instrument to which the Seller is subject or by which it is bound;
 - c. No governmental consent, approval or authorization other than the Bond Ordinance is required in connection with the sale of the Bonds to the Purchaser;
 - d. This Purchase Contract, the Bond Ordinance and the Bonds (when paid for by the Purchaser) are, and shall be at the time of Closing, legal, valid and binding obligations of the Seller enforceable in accordance with their respective terms, subject only to applicable bankruptcy, insolvency or other similar laws affecting creditors' rights;
 - e. The Bond Ordinance shall have been duly authorized by the Seller, shall be in full force and effect and shall not have been amended at the time of Closing;
 - f. The Preliminary Official Statement, except as to matters corrected in the Final Official Statement, shall be accurate and complete in all material aspects as of its date with respect to information obtained from or utilized by officers and employees of the Seller in the normal course of their duties, and the Final Official Statement shall be accurate and complete in all material respects as of its date and as of the date of Closing to the knowledge and belief of such officers and employees; and
 - g. Any certificate or copy of any certificate signed by any official of the Seller and delivered to the Purchaser pursuant to or in connection with this Purchase Contract shall be deemed a representation by the Seller to the Purchaser as to the truth of the statements therein made and is delivered to the Purchaser for such purpose only.

5. As conditions to the Purchaser's obligations hereunder:
- a. From the date of the Seller's acceptance of this Purchase Contract to the date of Closing, there shall not have been any:
- (1) Material adverse change in the financial condition or general affairs of the Seller;
 - (2) Event, court decision or proposed law, rule or regulation which may have the effect of changing the federal income tax exemption of the interest on the Bonds or the transactions contemplated by this Purchase Contract or the Preliminary and Final Official Statements;
 - (3) International or national crisis, suspension of stock exchange trading or banking moratorium materially affecting the marketability of the Bonds;
 - (4) Negative alteration in or withdrawal of the ratings on the Bonds by Moody's Investors Service, Inc., or Standard & Poor's Corporation, as those ratings are listed in paragraph j of Exhibit A to this Purchase Contract; or
 - (5) Material adverse event with respect to the Seller which in the reasonable judgment of the Purchaser requires or has required an amendment, modification or supplement to the Final Official Statement and such amendment, modification or supplement is not made.
- b. At or prior to Closing, the Purchaser shall have received the following:
- (1) The Bonds, in definitive form and duly executed and authenticated;
 - (2) A certificate of authorized officers of the Seller, in form and substance acceptable to the Seller and Purchaser, to the effect: (i) that the Seller's execution of the Final Official Statement is authorized; (ii) that, to the knowledge and belief of such officers, the Preliminary Official Statement did not as of its date and Final Official Statement (collectively the "Official Statements") (including the financial, statistical and engineering data included therein) did not as of its date or as of the date of Closing contain any untrue statement of material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading; and (iii) that the representations of the Seller contained in this Purchase Contract are true and correct when made and as of Closing;

- (3) An approving opinion or opinions of the law firm identified in paragraph k of Exhibit A as bond counsel or from another nationally recognized firm of municipal bond lawyers (either or both of which shall be referred to as "Bond Counsel") satisfactory to the Purchaser and dated as of Closing, to the effect: (i) that the Seller is duly organized and legally existing as a non-charter code city under the laws of the State of Washington with full power and authority to pass the Bond Ordinance and to issue and sell the Bonds to the Purchaser; (ii) that the Bonds are valid, legal and binding obligations of the Seller, except to the extent that such enforcement may be limited by bankruptcy, insolvency or other laws affecting creditors' rights; (iii) that interest on the Bonds is exempt from federal income taxation under existing federal law and rulings, under H.R. 3838, with the effective dates thereof modified in conformity with the Joint Statement, and under the Senate Tax Bill, except that, in the case of property and casualty insurance companies, interest on the Bonds may be subject to an alternative minimum tax during any period when such Bonds are held by such companies for taxable years beginning after 1987, and except further that, for taxable years beginning after 1986, interest on the Bonds received by corporations may be included as income in the calculation of an alternative minimum tax under the Senate Tax Bill; and (iv) that the Bonds are not "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended;
- (4) A letter of Bond Counsel, dated the date of Closing and addressed to the Purchaser, to the effect that it may rely upon the opinion in subparagraph (3) above as if it were addressed to the Purchaser;
- (5) A certificate of authorized officers of the Seller to the effect that no litigation is pending, or to the knowledge of the Seller threatened, against the Seller in any court: (i) to restrain or enjoin the sale or delivery by the Seller of the Bonds; (ii) in any manner questioning the authority of the Seller to issue, or the issuance or validity of, the Bonds; (iii) questioning the constitutionality of any statute, ordinance or resolution, or the validity of any proceedings, authorizing the issuance of the Bonds; (iv) questioning the validity or enforceability of the Bond Ordinance; (v) contesting in any way the completeness, accuracy or fairness of the Official Statements; (vi) questioning the titles of any officers of the Seller to their respective offices or the legal existence of the Seller under the laws of the State of Washington; or (vii) which might in any material respect adversely affect the transactions contemplated herein and in the Official Statements to be undertaken by the Seller;

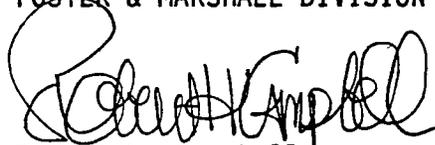
- (6) A certificate signed by authorized officers of the Seller to the effect that the officers of the Seller who signed or whose facsimile signatures appear on the Bonds were on the date of execution of the Bonds the duly elected, qualified and acting officers of the Seller and that their signatures are genuine or accurate facsimiles;
- (7) A certificate of authorized officers of the Seller to the effect that the Seller has not been and is not in default as to principal or interest payments on any of its bonds or other obligations, and has not failed to honor the provisions of any law providing for the restoring of a debt service reserve fund to required levels;
- (8) A certificate of authorized officers of the Seller to the effect that, from the respective dates of the Official Statements and up to and including the date of Closing, the Seller has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Seller, except as described in the Official Statements;
- (9) A certified copy of the Bond Ordinance;
- (10) A definitive copy of the Final Official Statement, signed on behalf of the Seller by the City Manager;
- (11) A non-arbitrage certificate signed by an authorized officer of the Seller;
- (12) A certified copy of this Purchase Contract; and
- (13) Such additional legal opinions, certificates, instruments and documents as the Purchaser may reasonably request to evidence the truth, accuracy and completeness, as of the date hereof and as of the date of Closing, of the representations and warranties contained herein and of the statements and information contained in the Official Statements and the due performance by the Seller at or prior to Closing of all agreements then to be performed and all conditions then to be satisfied by the Seller.

6. The Seller shall pay the fees and disbursements of Bond Counsel and the Seller's other consultants and advisors, and the costs of preparing, printing and executing the Bonds, the costs of preparing and printing the Official Statement, the fees charged by rating agencies in connection with the Bonds, the fees and disbursements of the Refunding Trustee, the fees and disbursements of an independent certified public accounting firm that will verify the adequacy of the escrow account to pay, redeem and retire the 1981 Bonds maturing on and after April 1, 1992, which bonds shall be redeemed at par on April 1, 1991. The Purchaser shall pay the cost of distributing the Official Statements (except in the circumstances and to the extent set forth in paragraph 7 hereof), the fees and disbursements of the Purchaser's counsel, if any, the printing and filing of blue sky and legal investment surveys, where necessary, and the Purchaser's expenses relative to Closing, including the cost of federal funds and the Purchaser's travel expenses.
7. If, during the period ending on the earlier of August 30, 1986, or the date on which the Purchaser shall have completed the distribution and delivery to the public of all of the Bonds, any material adverse event affecting the Seller or the Bonds shall occur which results in the Final Official Statement containing any untrue statement of a material fact or omitting to state any material fact necessary to make the Final Official Statement, or the statements or information therein contained, in light of the circumstances under which they were made, not misleading, the Seller shall notify the Purchaser and, if in the opinion of the Seller and the Purchaser such event requires a supplement or amendment to the Final Official Statement, the party whose omission, misstatement or changed circumstance has resulted in the supplement or amendment will at its expense supplement or amend the Final Official Statement in a form and in a manner approved by the Seller and the Purchaser.
8. Any notice or other communication to be given to the Seller under this Purchase Contract shall be given by delivering the same in writing to its respective address set forth above. Any notice or other communication to be given to the Purchaser under this Purchase Contract shall be given by delivering the same in writing to Shearson Lehman Brothers Inc., Foster & Marshall Division, 999 Third Avenue, Suite 4000, Seattle, Washington 98104 (Attention: Robert H. Campbell, Senior Vice President & Manager, Public Finance).

9. Upon acceptance of this Purchase Contract, this Purchase Contract shall be binding upon the Seller and the Purchaser. This Purchase Contract is intended to benefit only the parties hereto. The Seller's representations and warranties shall survive any investigation made by or for the Purchaser, delivery and payment for the Bonds, and the termination of this Purchase Contract. Should the Purchaser fail (other than for reasons permitted in this Purchase Contract) to pay for the Bonds at Closing, the amount set forth in paragraph h of Exhibit A shall be paid by the Purchaser as liquidated damages in full, and costs shall be borne in accordance with Section 6. Should the Seller fail to satisfy any of the foregoing conditions or covenants, or if Purchaser's obligations are terminated for any reason permitted under this Purchase Contract, then neither the Purchaser nor the Seller shall have any further obligations under this Purchase Contract, except that any expenses incurred shall be borne in accordance with Section 6.
10. This offer expires on the date set forth in paragraph m of Exhibit A.

Respectfully submitted,

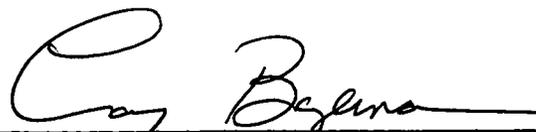
SHEARSON LEHMAN BROTHERS INC.
FOSTER & MARSHALL DIVISION



Robert H. Campbell
Senior Vice President & Manager
Public Finance - Seattle

ACCEPTED by the City of Bellevue, Washington, this 7th day of July, 1986.

CITY OF BELLEVUE, WASHINGTON

By 
Cary E. Bozeman, Mayor

ATTEST:


Marie O'Connell, City Clerk

RHC/jh

Enclosures

EXHIBIT A
DESCRIPTION OF BONDS

- a. Purchase Price: \$97.6376922 per \$100.00 par value, plus accrued interest from July 1, 1986, to the date of Closing.
- b. Denominations: \$5,000 or integral multiples thereof within a single maturity.
- c. Dated Date: July 1, 1986.
- d. Form: Fully registered with privileges of exchange at the expense of the Seller.
- e. Interest Payable: April 1 and October 1, commencing October 1, 1986.
- f. Maturity Schedule: Bonds shall mature serially on April 1 of each year in the amounts and shall bear interest at the rates set forth below:

| <u>Due</u> <u>April 1</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Due</u> <u>April 1</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> |
|------------------------------|---------------|--------------------------------|------------------------------|---------------|--------------------------------|
| 1987 | \$180,000 | 4.50% | 1995 | \$465,000 | 6.70% |
| 1988 | 60,000 | 5.00 | 1996 | 500,000 | 6.90 |
| 1989 | 65,000 | 5.50 | 1997 | 530,000 | 7.00 |
| 1990 | 65,000 | 5.75 | 1998 | 570,000 | 7.00 |
| 1991 | 70,000 | 5.90 | 1999 | 605,000 | 7.00 |
| 1992 | 380,000 | 6.10 | 2000 | 650,000 | 7.00 |
| 1993 | 405,000 | 6.30 | 2001 | 690,000 | 7.00 |
| 1994 | 435,000 | 6.50 | | | |

- g. Net Interest Cost: 7.080664%
True Interest Rate: 7.170339%
- h. Liquidated Damages: \$170,100.
- i. Location and Estimated Closing Date: Seattle, Washington, July 29, 1986.
- j. Ratings of Bonds: Moody's Aa1; Standard & Poor's AA.
- k. Bond Counsel: Roberts & Shefelman, Seattle, Washington.
- l. Method of Payment: Federal Funds wire.
- m. Offer Expires: July 8, 1986, 12:00 noon.
- n. Redemption: The Bonds maturing in the years 1987 through 1996, inclusive, shall be issued without the right or option of the City to redeem the same prior to their respective maturity dates. The City reserves the right to redeem the Bonds maturing on and after April 1, 1997, in whole, or in part in inverse order of maturity (and by lot within a maturity in such manner as the Bond Registrar shall determine) on April 1, 1996, and on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption.