

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 4678

AN ORDINANCE relating to the Waterworks Utility of the City, including the sanitary sewerage system and storm and surface water utility, providing for the issuance of Water and Sewer Revenue Refunding Bonds, 1994, in the principal amount of \$11,740,000 to refund certain outstanding bonds of the Waterworks Utility of the City; fixing the date, form, maturities, terms, covenants and uses of the proceeds of such bonds; and providing for the public sale thereof to Lehman Brothers.

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WHEREAS, pursuant to Ordinance No. 2169, as amended by Ordinance No. 2181, the sanitary sewerage system of the City of Bellevue, Washington (the "City"), was combined with and became a part of the waterworks utility of the City and, pursuant to Ordinance No. 2845, the storm and surface water utility of the City created and established by Ordinance No. 2003 was combined with and made a part of such combined water distribution system and sanitary sewerage system, and such combined systems (hereinafter defined together with all additions thereto and betterments and extensions thereof heretofore or hereafter made as the "Waterworks Utility of the City") are maintained and operated jointly; and

WHEREAS, the City has issued and sold the following revenue bonds payable from the revenues of the Waterworks Utility of the City:

Name	Date	Ordinance No.	Original Principal	Outstanding Principal
Revenue Bonds, 1986	December 30, 1986	3743	\$ 2,000,000	\$ 1,610,034.07
Revenue Refunding Bonds, 1987	April 1, 1987	3757	\$15,950,000	\$ 15,360,000.00
Revenue Bonds, 1987	July 1, 1987	3801	\$ 2,060,000	\$ 1,705,000.00
Revenue Bonds, 1991	October 1, 1991	4284	\$ 2,600,000	\$ 2,525,000.00

WHEREAS, by the ordinances authorizing the issuance of the above referenced bonds, the City reserved the right to issue additional revenue bonds (therein called and defined as "Parity Bonds") and to make payments into the Water and Sewer Revenue Bond Redemption Fund, 1976, for the payment of the Parity Bonds, from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments, sufficient to pay the principal of and interest on such Parity Bonds and to maintain a reserve therefor, which such payments may rank equally with the payments out of such Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments required by such ordinances to be made into the Water and Sewer Revenue Bond Redemption Fund, 1976, and the reserve account created therein, if certain conditions and requirements specified therein are met and complied with at the time of the issuance of such Parity Bonds; and

WHEREAS, the City Council finds that significant debt service savings can be realized through the defeasance and early redemption of portions of the 1986 Bonds, the 1987 Refunding Bonds, and the 1987 Bonds of the City by the issuance and sale of the bonds authorized in this ordinance; and

WHEREAS, the City has received an offer from Lehman Brothers to buy the bonds authorized herein; NOW, THEREFORE,

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

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

"Acquired Obligations" means the investments now or hereafter acquired by the City to effect the refunding of the Refunding Bonds.

"Annual Debt Service" means, for any calendar year, the aggregate amount of principal and interest due on the Parity Bonds in such year, except the principal of any Term Bonds scheduled to mature in such year and any interest to be paid from the proceeds of any Parity Bonds, plus all mandatory redemption or sinking fund requirements for Term Bonds, which requirements will mature or become due in such year. When the Outstanding Parity Bonds are no longer outstanding, if the interest rate on any Parity Bonds is other than a fixed rate, the rate applicable at the time of computation shall be used.

"Arbitrage and Tax Certification" means the certificate executed by the Treasury Manager pertaining to the calculation and payment of any Rebate Amount with respect to the Bonds.

"Bonds" means the Water and Sewer Revenue Refunding Bonds, 1994, authorized to be issued by this ordinance.

"1986 Bonds" means the Water and Sewer Revenue Bonds, 1986, issued pursuant to Ordinance No. 3743.

"1987 Refunding Bonds" means the Water and Sewer Revenue Refunding Bonds, 1987, issued pursuant to Ordinance No. 3757.

"1987 Bonds" means the Water and Sewer Revenue Bonds, 1987, issued pursuant to Ordinance No. 3801.

"1991 Bonds" means the Water and Sewer Revenue Bonds, 1991, issued pursuant to Ordinance No. 4284.

"Bond Fund" means the Water and Sewer Revenue Bond Redemption Fund, 1976, created by Ordinance No. 2328 for the payment of the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

"Bond Register" means the books containing the name and address of the owners of the Bonds kept by the Bond Registrar.

"Bond Registrar" means the fiscal agencies of the State of Washington in Seattle, Washington, or New York, New York, as the same may be designated from time to time.

"City" means the City of Bellevue, Washington, a duly organized noncharter code city.

"City Clerk" means the appointed clerk of the City.

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

"DTC" means The Depository Trust Company, New York, New York.

"Escrow Agent" means Key Bank of Washington.

"Escrow Agreement" means the agreement between the City and the Escrow Agent with respect to the defeasance of the Refunded Bonds.

"Future Parity Bonds" shall mean any and all water and sewer revenue bonds of the City issued after the date of the issuance of the Bonds pursuant to the provisions of Section 12 of Ordinance No. 3743, Section 15 of Ordinance No. 3757, Section 13 of Ordinance No. 3801, Section 17 of Ordinance No. 4284 and Section 16 of this Ordinance, the payment of the principal of and interest on which constitutes a lien and charge upon the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments on a parity with the lien and charge upon such revenue and assessments for the Outstanding Parity Bonds and the Bonds.

"Government Obligations" shall mean any direct obligations of the United States of America and which are otherwise lawful investments of the City at the time of such investment.

"Letter of Representations" shall mean that letter substantially in the form of Exhibit A, attached hereto and incorporated herein by this reference.

"Maximum Annual Debt Service" means the maximum amount of Annual Debt Service that will mature or become due in any future calendar year.

"Operating and Maintenance Expense" shall mean all reasonable expenses incurred by the City in causing the Waterworks Utility of the City to be operated and maintained in good repair, working order and condition, including payments of premiums for insurance on the Waterworks Utility of the City, payments to be made to the King County Department of Metropolitan Services for sewage treatment and disposal, payments to The City of Seattle, Washington, for water purchased, and any State-imposed taxes, but excluding any City-imposed utility taxes or payments in lieu of taxes payable from Revenue of the Waterworks Utility of the City.

"Outstanding Parity Bonds" shall mean the 1986 Bonds, the 1987 Bonds, the 1987 Refunding Bonds and the 1991 Bonds.

"Parity Bonds" means the Outstanding Parity Bonds, the Bonds and Future Parity Bonds.

"Principal and Interest Account" shall mean the account of that name in the Bond Fund created and established in the Office of the Director of Finance, Information and Personnel Services of the City by Ordinance No. 2328.

"Rebate Amount" means the amount, if any, determined to be payable with respect to the Bonds by the City to the United States of America, in accordance with Section 148(f) of the Code.

"Refunded Bonds" means (a) the 1986 Bonds maturing on and after December 1, 1997 (the "1986 Refunded Bonds"); (b) the 1987 Refunding Bonds maturing on and after May 1, 2003 and \$700,000 of the 1987 Refunding Bonds maturing on May 1, 2002 (the "1987 Refunding Refunded Bonds"); and (c) the 1987 Bonds maturing on and after July 1, 1998 (the "1987 Refunded Bonds").

"Registered Owners" means the owners of Bonds whose names are contained in the Bond Register.

"Reserve Account" shall mean the account of that name in the Bond Fund created and established in the Office of the Director of Finance, Information and Personnel Services of the City by Ordinance No. 2328.

"Reserve Insurance" means any bond insurance, letter of credit, guaranty, surety bonds 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 Corporation, or their comparably recognized business successors.

"Revenue of the Waterworks Utility of the City" shall mean all of the earnings and revenue received by the Waterworks Utility of the City from any source whatsoever, except Utility Local Improvement District Assessments, general ad valorem taxes, grants from the state or federal governments, proceeds from the sale of City property and bond proceeds.

"Serial Bonds" means Bonds which are not Term Bonds.

"Sinking Fund Requirement" means, for any year, the principal amount of Term Bonds required to be purchased, redeemed or paid in such year pursuant to the mandatory amortization provisions of the ordinance or resolution of the City authorizing the issuance of Term Bonds.

"Term Bonds" shall mean any bonds of any Parity Bonds maturing in any year, the principal of which is greater than 1.25 times the average annual principal amount of all bonds maturing in the three years immediately preceding the year in which the Term Bonds of the Parity Bonds mature.

"Treasurer" means the Treasury Manager of the City or any successor to the functions of such Treasurer.

"Utility Local Improvement District Assessments" shall mean all utility local improvement district assessments and installments thereof, plus interest and penalties thereon, hereafter collected in any utility local improvement district created by the City Council to secure the payment of the Bonds and any Outstanding Parity Bonds and pledged to be paid into the Bond Fund.

"Waterworks Utility of the City" shall mean the combined water distribution system and sanitary sewerage system of the City, as combined by Ordinance No. 2169, as amended by Ordinance No. 2181, and the storm and surface water system of the City combined therewith by Ordinance No. 2845, together with all additions thereto and betterments and extensions thereof heretofore or hereafter made or constructed.

Section 2. Authorization and Description of Bonds.

A. Authorization. For the purpose of providing a part of the money required to defease and refund the Refunded Bonds and to pay the costs of issuance and sale of the Bonds, the City shall cause to be issued the Bonds in the principal amount of \$11,740,000.

B. Description. The Bonds shall be dated August 1, 1994, 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 deems necessary for purpose of identification, and shall bear interest computed on the basis of a 360-day year of twelve 30-day months, payable on January 1, 1995, and semiannually thereafter on each succeeding July 1 and January 1. The Bonds shall be payable solely out of the Bond Fund, shall be a valid claim of the owner thereof only as against such Bond Fund and the amount of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments pledged to such fund and shall not be general obligations of the City.

The Bonds shall mature on July 1 in the years and amounts as shown below:

Due July 1	Amounts	Interest Rate
1995	\$ 140,000	4.050%
1996	95,000	4.400
1997	195,000	4.650
1998	295,000	4.750
1999	315,000	4.900
2000	325,000	5.000
2001	345,000	5.100
2002	1,040,000	5.200
2003	1,135,000	5.300
2004	1,210,000	5.400
2005	1,155,000	5.500
2006	1,220,000	5.600
2007	1,105,000	5.700
2008	980,000	5.800
2009	1,050,000	5.875
2010	1,135,000	5.875

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, shall have been paid in full or until sufficient money for such payment in full is on deposit in the Bond Fund and such Bond has been called for payment.

The Bonds shall be issued only in registered form as to both principal and interest on books or records (the "Bond Register") maintained by the Bond Registrar. Such 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.

C. Initial Immobilization of Bonds; Depository Provisions. The Bonds initially shall be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations set forth in Exhibit A hereto and by this reference incorporated herein. To induce DTC to accept the Bonds as eligible for deposit at DTC, the Treasurer is authorized to execute the Letter of Representations, with such changes as hereafter may be approved by him, and such approval shall be conclusively presumed by the Treasurer's execution thereof. 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 with respect to the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of principal or redemption price or interest on the Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notice as is required to be given by the City to the Bond Registrar or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds or any consent given or other action taken by DTC as owner of the Bonds.

The Bonds initially shall be issued in denominations equal to the aggregate principal amount of each maturity and initially shall be registered in the name of CEDE & CO., as the nominee of DTC. The Bonds so registered shall be held in fully immobilized form by DTC as depository. For so long as any Bonds are held in fully immobilized form, DTC, its successor or any substitute depository appointed by the City, as applicable, shall be deemed to be the Registered Owner for all purposes hereunder and all references to Registered Owners, bondowners, bondholders, owners or the like shall mean DTC or its nominees and 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:

1. 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;
2. To any substitute depository appointed by the City pursuant to this subsection or such substitute depository's successor; or
3. To any person as herein provided 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 to no longer 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.

In the case of any transfer pursuant to clause (i) or (ii) of the second paragraph of this subsection, the Bond Registrar, upon receipt of all outstanding Bonds together with a written request on behalf of the City, shall issue a single new Bond for each maturity of Bonds then outstanding, registered in the name of

such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the City.

In the event that DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained; or the City determines that beneficial owners of the Bonds be able to obtain Bond certificates, the ownership of Bonds may be transferred to any person as herein provided, and the Bonds shall no longer be held in fully immobilized form. The City shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt of all then outstanding Bonds by the Bond Registrar, together with a written request on behalf of the City to the Bond Registrar, new Bonds shall be issued in such denominations and registered in the names of such persons as are requested in such a written request.

D. Place, Manner and Medium of Payment. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For so long as outstanding Bonds are registered in the name of CEDE & Co., or its registered assigns, as nominee of DTC, payments of principal of and interest on the Bonds shall be made in next day funds on the date such payment is due and payable at the place and in the manner provided in the Letter of Representations.

In the event that Bonds are no longer immobilized by DTC, interest on the Bonds shall be paid by checks or drafts mailed, or by wire transfer, to owners of Bonds at the addresses for such owners appearing on the Bond Register on the 15th day of the calendar month preceding the interest payment date. Wire transfer will be made only if so requested in writing and if the owner owns at least one million dollars (\$1,000,000) par value of the Bonds. Principal of the Bonds shall be payable at maturity or on such dates as may be fixed for prior redemption upon presentation and surrender of the Bonds by the owners at either principal office of the Bond Registrar in Seattle, Washington, or New York, New York, at the option of such owners.

Upon surrender thereof to the Bond Registrar, Bonds are interchangeable for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. 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 transfer any Bond during the fifteen days preceding any principal payment or redemption date.

Section 3. Redemption of Bonds.

A. Optional Redemption. Bonds maturing July 1, 1995 through July 1, 2004 are issued without the right or option of the City to redeem the same prior to their respective maturity dates. The City reserves the right and option to redeem Bonds maturing on or after July 1, 2005, in whole on any date on and after July 1, 2004, or in part (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar or DTC shall determine), on July 1, 2004, and on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption.

B. Notice of Redemption. 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. 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, and to such other persons and with such additional information as the City Clerk shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

C. Effect 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 either of the principal offices 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. The interest on the Bonds so called for redemption shall cease on the date fixed for redemption unless such Bonds so called are not redeemed upon presentation made pursuant to such call.

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

Section 4. Bond Fund. The Bond Fund heretofore has been created and established in the office of the Director of Finance, Information and Personnel Services of the City by Ordinance No. 2328 and has been divided into two accounts, the Principal and Interest Account and the Reserve Account. So long as any Bonds are outstanding and unpaid, the Treasurer shall set aside and pay into

the Principal and Interest Account, in addition to the amounts to be paid into such Account for the Outstanding Parity Bonds (other than the Bonds), out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments a fixed amount, without regard to any fixed proportion, namely, on or before the 20th day of each month beginning with the month of August, 1994, such amount as is equal to 1/5 of the requirement for interest due on January 1, 1995 and on or before the 20th day of each month beginning with the month of January, 1995 such amount as is equal to 1/6th of the next ensuing six months' requirements for interest on the Bonds and beginning with the month of August, 1994, 1/11th or 1/12th, as applicable, of the amount of principal of the Bonds becoming payable on the next ensuing principal payment and/or mandatory redemption date.

Section 5. Reserve Account. The Reserve Account is fully funded in an amount not less than the average annual debt service requirements for the Outstanding Parity Bonds and the Bonds; provided that when the Outstanding Parity Bonds are no longer outstanding, the amount required to be deposited into the Reserve Account shall be an amount, as of any date, equal to the lesser of 125% of Average Annual Debt Service, Maximum Annual Debt Service or 10% of Future Parity Bond proceeds. The City will maintain that amount therein at all times, except for withdrawals therefrom as authorized herein, until there is a sufficient amount in the Bond Fund, including the Reserve Account, to pay the principal of and interest on all outstanding bonds payable out of the Bond Fund to the final maturity thereof, at which time the money in the Bond Fund, including the Reserve Account, may be used to pay such principal and interest.

When the Outstanding Parity Bonds are no longer outstanding, the City may provide all or part of the amount required to be deposited into the Reserve Account with Reserve Insurance, which insurance shall not be cancellable 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 Waterworks Utility 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. For the purpose of determining the amount credited to the Reserve Account, obligations in which money in the Reserve Account have been invested shall be valued at the greater of cost or accreted value.

In the event there shall be a deficiency in the Bond Fund to meet maturing installments of either principal or interest, as the case may be, on any outstanding bonds payable out of the Bond Fund, 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 from the Revenue of the Waterworks Utility of the City and/or Utility Local Improvement District Assessments first available after making necessary provisions for the required payments into the Bond Fund.

All money in the Reserve Account may be kept in cash or deposited in institutions permitted by law in an amount in each institution not greater than the amount insured by any department or agency of the United States Government, or may be invested in United States Government obligations having a guaranteed market, or in United States Government obligations maturing not later than the last maturity of any outstanding bonds that are payable out of the Bond Fund. Interest earned on any such investments shall be deposited in and become a part of the Bond Fund.

Notwithstanding the provisions for the deposit of earnings, any earnings which are subject to a federal tax or rebate requirement may be withdrawn from the Bond Fund for deposit in a separate fund or account for that purpose.

If the City shall fail to set aside and pay into the Bond Fund the amounts which it has obligated itself by this section to set aside and pay therein, the owner of any Bond may bring suit against the City to compel it to do so.

Section 6. Findings. The City Council of the City finds as follows:

(a) The purpose for the issuance of the Bonds qualifies as a purpose for the issuance of Parity Bonds as defined in Section 12 of Ordinance No. 3743, Section 15 of Ordinance No. 3757, Section 13 of Ordinance No. 3801 and Section 17 of Ordinance 4248.

(b) At the time of the issuance of the Bonds there is not and will not be a deficiency in the Bond Fund, including the Reserve Account.

(c) No Utility Local Improvement District Assessments are levied in connection with the issuance of the Bonds.

(d) Provision is made herein for the payment of the principal of and interest on the Bonds out of the Bond Fund and for the additional amounts required to be deposited in the Reserve Account.

The conditions and requirements set forth in Section 12 of Ordinance No. 3743, Section 15 of Ordinance No. 3757, Section 13 of Ordinance No. 3801 and Section 17 of Ordinance No. 4248 have been met and complied with, or will

have been met and complied with at the time of the issuance of the Bonds, and, therefore, the Bonds shall be issued on a parity with the Outstanding Parity Bonds.

Section 7. Priority of Lien. The Revenue of the Waterworks Utility of the City and all Utility Local Improvement District Assessments hereafter collected are pledged to the payments to be made into the Bond Fund as aforesaid, and the Outstanding Parity Bonds and the Bonds shall constitute a lien and charge upon the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments prior and superior to any other liens and charges whatsoever, subject only to Operating and Maintenance Expense.

Section 8. Sufficiency of Revenues. In the judgment of the City Council, the Revenue of the Waterworks Utility of the City at the rates to be charged for water and sanitary sewage disposal service and storm and surface water drainage service furnished on the entire utility, together with Utility Local Improvement District Assessments, will be more than sufficient to meet all Operating and Maintenance Expense and to permit the setting aside into the Bond Fund out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments hereafter collected of amounts sufficient to pay the interest on the Outstanding Parity Bonds and the Bonds as such interest becomes payable and to pay and redeem all of such bonds at their stated maturity or earlier mandatory redemption dates. The City Council further declares that in creating the Bond Fund and in fixing the amounts to be paid into the same as aforesaid it has exercised due regard for the Operating and Maintenance Expense, and the City has not bound and obligated itself to set aside and pay into the Bond Fund a greater amount or proportion of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments than in the judgment of the City Council will be available over and above such Operating and Maintenance Expense and that no portion of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments has been pledged previously for any indebtedness.

Section 9. Proceeds of the Bonds; Refunding.

A. The proceeds of the sale of the Bonds, exclusive of the accrued interest and premium, if any, thereon which shall be paid into the Bond Fund, shall be deposited immediately upon the receipt thereof in a special fund of the City to be established by the Escrow Agent on behalf of the City and known as the "1994 Advance Refunding Fund." Such fund is to be drawn upon for the sole purpose of paying the principal of and interest on the Refunded Bonds and of paying costs related to the refunding of such bonds and the issuance of the Bonds.

Money in the 1994 Advance Refunding Fund shall be used immediately upon receipt thereof to defease the Refunded Bonds, by providing for the payment of the principal of and interest thereon as hereinafter set forth in this section. The City shall defease the Refunded Bonds and discharge such obligations by the use of money in the 1994 Advance Refunding Fund to purchase certain noncallable "Government Obligations" as such obligations are defined in Chapter 39.53 RCW as now or hereafter amended (which obligations so purchased, are herein called "Acquired Obligations"), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance will provide for the payment of:

1. the interest that will become due and payable on or before December 1, 1996 for the 1986 Refunded Bonds, on or before May 1, 1997 for the 1987 Refunding Refunded Bonds and on or before July 1, 1997 for the 1987 Refunded Bonds; and

2. the redemption price (105% of par with respect to the 1986 Refunded Bonds and 100% of par with respect to the 1987 Refunding Refunded Bonds and 1987 Refunded Bonds) payable on or before December 1, 1996 for the 1986 Refunded Bonds, on or before May 1, 1997 for the 1987 Refunding Refunded Bonds, and on or before July 1, 1997 for the 1987 Refunded Bonds.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code for acquired obligations in connection with advance refunding bond issues.

Such Acquired Obligations and any necessary beginning cash balance shall be irrevocably deposited with the Escrow Agent. Any amounts described in subparagraphs 1. and 2. of this section which are not provided for in full by such beginning cash balance and the purchase and deposit of Acquired Obligations described in this section shall be provided for by the irrevocable deposit of the necessary amount out of the proceeds of sale of the Bonds or any other money of the City legally available therefor with the Escrow Agent. The proceeds of the Bonds remaining in the 1994 Advance Refunding Fund after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds. The City may, from time to time, transfer, or cause to be transferred, from the 1994 Advance Refunding Fund any money not thereafter required for the purposes set forth in 1. and 2. of this section or for the payment of expenses. The City reserves the right to substitute other noncallable securities for the Acquired Obligations in the event it may do so pursuant to Section 148 of the Code, upon compliance with the following conditions:

x. Such substitution is accomplished pursuant to a motion of the City Council, which may be adopted either prior to or subsequent to the delivery of the Bonds.

y. The securities to be substituted are direct, noncallable, nonprepayable obligations of, or obligations the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America and bank certificates of deposit secured by such obligations.

z. Such securities to be substituted bear such interest and mature at such times and in such amounts as to fully replace the Acquired Obligations for which they are substituted, and to provide, together with Acquired Obligations and cash remaining, for the payment of the amounts specified in items 1. and 2. of this section.

B. The City shall irrevocably set aside sufficient funds out of the proceeds of Acquired Obligations purchased from proceeds of the Bonds, together with any necessary beginning cash balance, to pay interest due and payable on the Refunded Bonds through July 1, 1997, and to redeem the Refunded Bonds on their earliest respective redemption dates, in accordance with the provisions of Section 2 of Ordinance No. 3743, Section 2 of Ordinance No. 3757 and Section 4 of Ordinance No. 3801, authorizing the redemption and retirement of the Refunded Bonds.

The City hereby calls for redemption on December 1, 1996, May 1, 1997 and July 1, 1997, the respective Refunded Bonds at their earliest call dates in accordance with the provisions of said Ordinance No. 3743, Ordinance No. 3757 and Ordinance No. 3801, authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities.

Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the escrow account and delivery of the Acquired Obligations to the Escrow Agent, except as provided herein for the substitution of securities.

The Escrow Agent is hereby authorized and directed to provide for the giving of notice of the redemption of the Refunded Bonds in accordance with Section 2 of Ordinance No. 3743, Section 2 of Ordinance No. 3757 and Section 4 of Ordinance No. 3801. The Treasurer is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notice therefor. The costs of publication of such notice shall be an expense of the City.

The Escrow Agent is hereby authorized and directed to pay to the City, or, at the direction of the Treasurer, to the fiscal agency or agencies of the State of Washington, sums sufficient to pay, when due, the payments specified in subparagraphs 1. and 2. above. All such sums shall be paid from the Acquired Obligations deposited with said Escrow Agent pursuant to this section, and the income therefrom and proceeds thereof. All such sums so paid shall be credited to the 1994 Advance Refunding Fund. All money and Acquired Obligations deposited with the Escrow Agent and any income therefrom shall be held, invested and applied in accordance with the provisions of this ordinance and with the laws of the State of Washington for the benefit of the City and owners of the Refunded Bonds.

The City will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent for refunding the Refunded Bonds shall be paid when due. The proper officers and agents of the City are directed to obtain from the Escrow Agent an agreement setting forth the duties, obligations and responsibilities of the Escrow Agent in connection with the redemption and retirement of the Refunded Bonds as provided herein and stating that such provisions for the payment of the fees, compensation and expenses of such Refunding Agent are satisfactory to it.

In order to carry out the purposes of the preceding section of this ordinance and this section, the Treasurer is authorized and directed to execute and deliver to the Escrow Agent a copy of such agreement when the provisions thereof have been fixed and determined.

Section 10. Covenants. The City covenants and agrees with the owner of each of the Bonds as follows:

(a) All Utility Local Improvement District Assessments hereafter collected by the Director of Finance, Information and Personnel Services of the City shall be paid into the Bond Fund and may be used to pay the principal of and interest on the Parity Bonds, without such assessments or installments thereof or interest thereon being particularly allocated to the payment of the principal and interest on any particular issue of bonds payable out of the Bond Fund. However, nothing in this ordinance or in this section shall be construed to prohibit the City from issuing water and sewer revenue bonds junior in lien to such Parity Bonds and pledging as security for their payment assessments levied in any utility local improvement district which may have been specifically created to pay part or all of the costs of improvements to the Waterworks Utility of the City for which such junior lien bonds were specifically issued.

(b) It will establish, maintain and revise, as necessary, and collect such rates and charges for water and sanitary sewage disposal service and for storm and surface water drainage service so long as any Parity Bonds are outstanding as will make available, together with any Utility Local Improvement District Assessments hereafter collected, in each succeeding year for the payment of the principal of and interest on such bonds then outstanding an amount equivalent to at least 1.25 times the average annual debt service requirements, both principal and interest, of such bonds, after deducting Operating and Maintenance Expense from the Revenue of the Waterworks Utility of the City. This subparagraph hereinafter shall be called the "Coverage Requirement." In determining whether the Coverage Requirement is or will be satisfied by the City, there shall be deemed to be included within the principal amount of bonds maturing in any year the amounts required to be paid into the Principal and Interest Account in such year under any mandatory payment schedule required for the retirement of Term Bonds of any Parity Bonds, and there shall be deemed to be excluded from the principal amount of any Term Bonds the sum of such payments required to be made under any such mandatory payment schedule. When the Outstanding Parity Bonds are no longer outstanding, failure to comply with this section shall not be considered a default if the City promptly retains an independent consulting engineer to recommend to the City Council adjustments in the rates of the Waterworks Utility necessary to meet the Coverage Requirement and the City Council adopts the recommended modification within 180 days of the date the failure became known to the City.

(c) It will at all times maintain and keep the Waterworks Utility of the City in good repair, working order and condition, and also will at all times operate such utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(d) It will not sell, lease, mortgage or in any manner encumber or dispose of all the property of the Waterworks Utility of the City unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal of and interest on all bonds payable out of the Bond Fund at any time outstanding, and it will not sell, lease, mortgage or in any manner encumber or dispose of any part of the property of the Waterworks Utility of the City that is used, useful and material to the operation thereof and, when the Outstanding Parity Bonds are no longer outstanding, that comprises more than 5% of the total assets of the Waterworks Utility, unless provision is made for 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 outstanding bonds payable out of the Bond Fund as the revenue available for debt service for such outstanding bonds for the twelve months preceding such sale, lease, mortgage or encumbrance or disposal from the portion of the utility sold, leased, mortgaged, encumbered or disposed of bears to the revenue available for debt service for such bonds from the entire utility for the same period. Any such money so paid into the Bond Fund shall be used to retire such outstanding bonds at the earliest possible date.

(e) It will keep, while any of the Bonds remains outstanding, proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Waterworks Utility of the City, and it will furnish the original purchaser or purchasers of the Bonds or any subsequent owner or owners thereof, at the written request of such purchaser or owner, complete operating and income statements of such utility in reasonable detail covering any calendar year not more than ninety days after the close of such calendar year, and it will grant any owner or owners of at least twenty-five percent of the outstanding Bonds the right at all reasonable times to inspect the entire Waterworks Utility of the City and all records, accounts and data of the City relating thereto. Upon request of any owner of any of the Bonds, it also will furnish to such owner a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington.

(f) It will not furnish water or sanitary sewage disposal service or storm and surface water drainage service to any customer whatsoever free of charge, except when the Outstanding Parity Bonds are no longer outstanding to aid the poor or infirm or for fire fighting purposes and will take legal action promptly to enforce collection of all delinquent accounts and all delinquent Utility Local Improvement District Assessments.

(g) It will carry the types of insurance, including self-insurance, on the properties of the Waterworks Utility of the City in the amounts normally carried by private water and sewer companies engaged in the operation of water and sewerage systems, and the cost of such insurance shall be considered a part of Operating and Maintenance Expense of such utility. So long as the Outstanding Parity Bonds are outstanding, if, as, and when the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain such insurance on all or such portions of the Waterworks Utility of the City on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof.

(h) It will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City as herein set forth.

Section 11. Tax Covenant. The City hereby covenants and agrees with the owners of the Bonds for as long as they remain outstanding that the City will not make use of the proceeds of sale of the Bonds or any other funds or obligations of the City that may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder which, if such use had reasonably been expected on the date of delivery of the Bonds to the initial purchaser thereof, would have caused the Bonds to be "arbitrage bonds" within the meaning of said section and said regulations. The City will comply with the continuing requirements of Section 148 of the Internal Revenue Code of 1986, as amended, (or any successor provision thereof applicable to the Bonds) and the applicable regulations thereunder throughout the term of the Bonds.

The City hereby covenants that throughout the term of the Bonds it will not take any action or enter into any agreement that will cause the proceeds of the sale of the Bonds to be used in a manner that would cause any Bond to be classified as a "private activity bond" within the meaning of Section 141 of the Code and the applicable regulations thereunder.

Section 12. Arbitrage Rebate. The City will pay the Rebate Amount, if any, to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption for interest payments on the Bonds, in accordance with the Arbitrage and Tax Certification.

Section 13. Form of the Bond. The Bonds shall be printed on good bond paper with lithographed or engraved borders in substantially the form attached hereto as Exhibit B and shall be signed by the manual or facsimile signatures of the Mayor and City Clerk. The seal of the City shall be reproduced on the lower border thereof, and such seal is adopted as the seal of the City for such Bonds being issued.

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, Water and Sewer Revenue Refunding Bonds, 1994, described in the within mentioned ordinance.

Washington State Fiscal Agency,
Bond Registrar

By _____
Authorized Officer

Such executed 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 may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond also may be signed and attested 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 although at the original date of such Bond any such person shall not have been such officer of the City.

Section 14. Fiscal Agency. The fiscal agencies of the State of Washington in Seattle, Washington, and New York, New York, as the same may be designated from time to time, are appointed Bond Registrar for the Bonds. 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 is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance.

The Bond Registrar shall be responsible for its representations contained in the 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 15. Negotiable Instruments. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 16. Parity Bonds. The City covenants with the owner of each of the Bonds for as long as any of the same is outstanding that it will not create any special fund or funds for the payment of the principal of and interest on any other revenue bonds which will have any priority over or which will rank on a parity with the payments required by this ordinance to be made out of the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments pledged to be paid into the Bond Fund, except it reserves the right for:

First, the purpose of acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary replacements of or repairs or capital improvements to, the Waterworks Utility of the City pursuant to a plan or plans of additions and betterments thereto hereafter adopted, or

Second, the purpose of refunding by exchange or purchasing and retiring or advance refunding by call and payment at or prior to their maturity any part or all of the outstanding water and sewer revenue bonds of the City, to issue additional and/or refunding Future Parity Bonds therefor and to make payments into the Bond Fund from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments sufficient to pay the principal of and interest on such Future Parity Bonds and to maintain a reserve therefor as required, which such payments may rank equally with the payments out of such Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments required by this ordinance to be made into the Bond Fund and Reserve Account, if the conditions and requirements set forth in Section 12 of Ordinance No. 3362, Section 12 of Ordinance No. 3743, Section 15 of Ordinance No. 3757, Section 13 of Ordinance No. 3801, Section 17 of Ordinance 4284 and of this section are met and complied with at the time of issuance of such Future Parity Bonds, to wit:

(a) That at the time of issuance of such Parity Bonds, there shall not be a deficiency in the Bond Fund, including the Reserve Account therein.

(b) That the ordinance providing for the issuance of such Future Parity Bonds shall provide that all assessments and interest thereon which may be levied in any utility local improvement district hereafter created for the purpose of paying in whole or in part the principal of and interest on such Parity Bonds shall be paid directly into the Bond Fund.

(c) That in the event there shall be included in such Parity Bonds any Term Bonds, the ordinance providing for the issuance of such Future Parity Bonds shall provide for a schedule of mandatory payments to be made into the Principal and Interest Account of the Bond Fund, the sum of which shall be sufficient to pay the Term Bonds at maturity.

(d) That the ordinance authorizing any Future Parity Bonds shall provide for the payment of the principal of and interest thereon out of the Bond Fund and shall further provide that the Reserve Account be increased, in not less than substantially equal monthly payments, within a period of five years after the date of issuance of such Future Parity Bonds to an amount equal to the average annual principal and interest requirements on all Future Parity Bonds, including the Outstanding Parity Bonds; provided, however, that in the event such Parity Bonds are issued for the purpose of refunding outstanding Parity Bonds, the amount of such reserve allocated to such bonds being so refunded shall be retained as a reserve for such refunding Parity Bonds or used to retire outstanding bonds pursuant to the refunding plan, in which event such reserve amount shall be replaced in the same manner and within the same time as required for additional Parity Bonds. In computing such average annual principal and interest requirements, there shall be included the amounts required to be paid into the Principal and Interest Account of the Bond Fund in each year under any mandatory payment schedule required for the retirement of Term Bonds of any Parity Bonds.

(e) That at the time of the issuance of such Parity Bonds, the City shall have on file a certificate from an independent licensed professional engineer experienced in the design, construction and operation of municipal utilities, showing that in his or her professional opinion, the Revenue of the Waterworks Utility of the City, after deducting Operating and Maintenance Expense, together with Utility Local Improvement District Assessments hereafter collected, which will be available in each succeeding year for the payment of the principal of and interest on all outstanding bonds payable out of such Revenue and Assessments and payable out of the Bond Fund and Future Parity Bonds to be issued, will be equal to the Coverage Requirement established by Section 10(b) of this ordinance; provided that when the Outstanding Parity Bonds are no longer outstanding, in lieu of a certificate from an engineer, the City may obtain a certificate of the City Director of Finance, Information and Personnel Services demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Revenue of the Waterworks Utility of the City minus Operating and Maintenance Expenses was at least equal to 1.25 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).

In determining whether the City is able to comply with the terms of the parity conditions, the following adjustments may be made by the professional engineer to the historical net operating revenue for any twelve consecutive months out of the immediately preceding 24-month period:

(a) Any rate change that has taken place or been approved may be reflected.

(b) Revenue may be added from customers actually added to the utility subsequent to the twelve-month period.

(c) Revenue may be added from customers to be served by the improvements being constructed out of the proceeds of the bonds to be issued.

(d) A full year's revenue may be included from any customer being served, but who has not been receiving service for the full period of operation used as a basis for the certificate.

(e) Actual or reasonably anticipated changes in the Operating and Maintenance Expense subsequent to such twelve-month period shall be added or deducted, as is applicable.

When the Outstanding Parity Bonds are no longer outstanding if Future Parity Bonds are being issued for the purposes listed under Second in this Section 16, a certificate of a professional engineer shall not be required if the City has on file a certificate of a financial officer of the City showing that the maximum Annual Debt Service shall not be exceeded by more than \$5,000 by reason of the issuance of the Future Parity Bonds.

Nothing contained in this section shall prevent the City from issuing revenue bonds, warrants or other obligations, the payment of the principal of and interest on which is a charge upon the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments junior and inferior to the payments required to be made out of such Revenue into the Bond Fund.

Section 17. Defeasance. In the event the City shall issue advance refunding bonds pursuant to the laws of the State of Washington, or have funds available from any other lawful source, to pay the principal of and interest on the Bonds or such portion thereof included in the refunding plan as the same become due and payable and to refund all such then outstanding Bonds and to pay the costs of refunding, and shall have set aside irrevocably in a special fund for and pledged to such payment and refunding, money and/or Government Obligations,

sufficient in amount, together with known earned income from the investment thereof, to make such payments and to accomplish the refunding as scheduled, and shall make irrevocable provisions for redemption of such Bonds, then in that case all right and interest of the owners of the Bonds to be so retired or refunded in the covenants of this ordinance and in the Revenue of the Waterworks Utility of the City, Utility Local Improvement District Assessments, funds and accounts obligated to the payment of such Bonds, except the right to receive the funds so set aside and pledged to be paid from the Bond Fund without priority, shall thereupon cease and become void and the City may then apply any money in any fund or account established for the payment or redemption of such Bonds to any lawful purposes as it shall determine.

In the event that the refunding plan provides that the Bonds being refunded or the refunding bonds to be issued be secured by cash and/or Government Obligations pending the prior redemption of those Bonds being refunded and if such refunding plan also provides that certain cash and/or Government Obligations are pledged irrevocably for the prior redemption of those Bonds included in the refunding plan, then only the debt service on the Bonds and the refunding bonds payable from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments shall be included in the computation of coverage for issuance of Parity Bonds and the annual computation of coverage for determining compliance with the Coverage Requirement.

Section 18. Revenue Fund. By Ordinance No. 2169, as amended by Ordinance No. 2181, there has been created and established in the office of the Director of Finance, Information and Personnel Services of the City a special fund designated the "Waterworks Utility Revenue Fund." The Revenue of the Waterworks Utility of the City shall be deposited as received in the Waterworks Utility Revenue Fund and shall be used, paid out and distributed in the following order of priority:

(a) To meet Operating and Maintenance Expense;

(b) To meet the required payments into the Bond Fund for all bonds payable out of the Bond Fund from the Revenue of the Waterworks Utility of the City and Utility Local Improvement District Assessments, including the amounts required to be paid into the Principal and Interest Account in such year under any mandatory payment schedule required for the retirement of Term Bonds of any Outstanding Parity Bonds, the Bonds or Future Parity Bonds, and payments necessary to make up any deficiency in the Reserve Account created by authorized withdrawals therefrom and, when the Outstanding Parity Bonds are no longer outstanding, to make all

payments required to be made pursuant to any reimbursement agreement (or other equivalent document) in connection with Reserve Insurance;

(c) To meet the debt service requirements for any water and sewer revenue bonds hereafter issued for the payment of which the lien and charge upon the Revenue of the Waterworks Utility of the City will be junior to the prior lien and charge thereon for payments to be made into the Bond Fund; and

(d) To redeem and retire any water and sewer revenue bonds of the City then outstanding or to purchase any or all of those bonds in the open market at a price not in excess of the price at which those bonds would be redeemed at the next call date, and to make necessary additions, betterments, repairs, extensions and replacements of the Waterworks Utility of the City and other purposes proper to its maintenance and operation, including the payment of any City-imposed utility taxes or payments in lieu of taxes payable from Revenue of the Waterworks Utility of the City.

Section 19. Sale of the Bonds. The Bonds shall be sold to Lehman Brothers in accordance with the terms and conditions set forth in their offer to purchase the Bonds dated July 25, 1994.

The City shall cause definitive Bonds to be prepared, executed and delivered, which Bonds shall be lithographed or printed with engraved or lithographed borders. Until the definitive Bonds are prepared, the City may execute a temporary bond which shall be typewritten, and which shall be delivered to the purchaser of the Bonds in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions. The temporary Bond shall be dated as of the date of the Bonds, shall be fully registered, shall be in the denomination of \$11,740,000 shall be numbered T-1, shall be substantially of the tenor of such definitive Bonds, but with such omissions, insertions and variations as may be appropriate to temporary bonds, and shall be signed by the Mayor and City Clerk.

Upon surrender to the City of any such temporary Bond, the City without charge to the registered owner, shall execute and deliver to the registered owner of the temporary Bond in exchange therefore definitive Bonds of the same series, maturities, interest rates, redemption provisions and aggregate principal amount as the temporary Bond, if any, surrendered. Until so exchanged, the temporary Bond shall be in all respects entitled to the same benefit and security as definitive Bonds executed and issued pursuant to this ordinance.

Section 20. Approval of Official Statement. The form and content of the Preliminary Official Statement in connection with the Bonds is hereby approved

and the use of the Preliminary Official Statement in connection with the sale of the Bonds is approved. The City deems the Preliminary Official Statement as final as of its date pursuant to Securities and Exchange Commission Rule 15c2-12 except for the omission of information dependent upon the sale of the Bonds, such as price, interest rates, discount, ratings, delivery date and other terms of the Bonds dependent on the foregoing.

Section 21. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

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

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

Section 24. Effective Date. This ordinance shall take effect and be in force five days after its passage and legal publication.

PASSED by the City Council this 25th of July, 1994, and signed in authentication of its passage this 25th day of July, 1994.

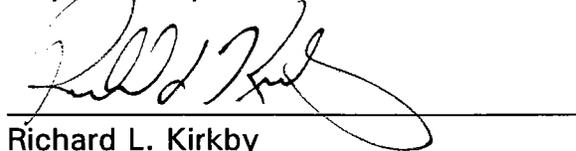
CITY OF BELLEVUE, WASHINGTON



Donald S. Davidson, DDS, Mayor

(SEAL)

Approved as to Form:
Richard L. Andrews
City Attorney



Richard L. Kirkby
Assistant City Attorney

ATTEST:



Myrna L. Basich, City Clerk

PUBLISHED: July 29, 1994

EXHIBIT A

BOOK-ENTRY-ONLY MUNICIPAL BONDS

Letter of Representations

To be Dated as of Issuer and Agent

City of Bellevue, Washington

[Name of Issuer]

The Bank of New York

[Name of Agent]

(Date)

Attention: General Counsel's Office
The Depository Trust Company
55 Water Street; 49th Floor
New York, NY 10041-0099

Re: Water and Sewer Revenue Refunding Bonds, 1994

(Issue Description)

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the above-referenced issue (the "Bonds"). Agent will act as trustee, paying agent, fiscal agent, or other agent of Issuer with respect to the Bonds. The Bonds will be issued pursuant to a trust indenture, bond resolution, or other such document authorizing the issuance of the Bonds dated _____, 1994 (the "Document"). Lehman Brothers, Inc.
("Underwriter")
is distributing the Bonds through The Depository Trust Company ("DTC").

To induce DTC to accept the Bonds as eligible for deposit at DTC, and to act in accordance with its Rules with respect to the Bonds, Issuer and Agent, if any, make the following representations to DTC:

1. Prior to closing on the Bonds on August 24, 199⁴, there shall be deposited with DTC one Bond certificate registered in the name of DTC's nominee, Cede & Co., for each stated maturity of the Bonds in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Bonds. If, however, the aggregate principal amount of any maturity exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount. Each \$150 million Bond certificate shall bear the following legend:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

2. In the event of any solicitation of consents from or voting by holders of the Bonds, Issuer or Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall, to the extent possible, send notice of such record date to DTC not less than 15 calendar days in advance of such record date.

3. In the event of a full or partial redemption or an advance refunding of part of the outstanding Bonds, Issuer or Agent shall send a notice to DTC specifying: (a) the amount of the redemption or refunding; (b) in the case of a refunding, the maturity date(s) established under the refunding; and (c) the date such notice is to be mailed to beneficial owners or published (the "Publication Date"). Such notice shall be sent to DTC by a secure means (e.g., legible telecopy, registered or certified mail, overnight delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. Issuer or Agent shall forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers (if applicable) which includes a manifest or list of each CUSIP submitted in that transmission. (The party sending such notice shall have a method to verify subsequently the use of such means and the timeliness of such notice.) The Publication Date shall be not less than 30 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date that the proceeds are deposited in escrow.

4. In the event of an invitation to tender the Bonds, notice by Issuer or Agent to Bondholders specifying the terms of the tender and the Publication Date of such notice shall be sent to DTC by a secure means in the manner set forth in the preceding Paragraph.

5. All notices and payment advices sent to DTC shall contain the CUSIP number of the Bonds.

6. Notices to DTC pursuant to Paragraph 2 by telecopy shall be sent to DTC's Reorganization Department at (212) 709-6896 or (212) 709-6897, and receipt of such notices shall be confirmed by telephoning (212) 709-6870. Notices to DTC pursuant to Paragraph 2 by mail or by any other means shall be sent to:

Supervisor; Proxy
Reorganization Department
The Depository Trust Company
7 Hanover Square; 23rd Floor
New York, NY 10004-2695

7. Notices to DTC pursuant to Paragraph 3 by telecopy shall be sent to DTC's Call Notification Department at (516) 227-4164 or (516) 227-4190. If the party sending the notice does not receive a telecopy receipt from DTC confirming that the notice has been received, such party shall telephone (516) 227-4070. Notices to DTC pursuant to Paragraph 3 by mail or by any other means shall be sent to:

Call Notification Department
The Depository Trust Company
711 Stewart Avenue
Garden City, NY 11530-4719

8. Notices to DTC pursuant to Paragraph 4 and notices of other actions (including mandatory tenders, exchanges, and capital changes) by telecopy shall be sent to DTC's Reorganization Department at (212) 709-1093 or (212) 709-1094, and receipt of such notices shall be confirmed by telephoning (212) 709-6884. Notices to DTC pursuant to the above by mail or by any other means shall be sent to:

Manager; Reorganization Department
Reorganization Window
The Depository Trust Company
7 Hanover Square; 23rd Floor
New York, NY 10004-2695

9. Transactions in the Bonds shall be eligible for next-day funds settlement in DTC's Next-Day Funds Settlement ("NDFS") system.

A. Interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co. Absent any other existing arrangements such payments shall be addressed as follows:

Manager; Cash Receipts
Dividend Department
The Depository Trust Company
7 Hanover Square; 24th Floor
New York, NY 10004-2695

B. Principal payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

NDFS Redemption Department
The Depository Trust Company
55 Water Street; 50th Floor
New York, NY 10041-0099

10. DTC may direct Issuer or Agent to use any other telephone number or address as the number or address to which notices or payments of interest or principal may be sent.

11. In the event of a redemption, acceleration, or any other similar transaction (e.g., tender made and accepted in response to Issuer's or Agent's invitation) necessitating a reduction in the aggregate principal amount of Bonds outstanding or an advance refunding of part of the Bonds outstanding, DTC, in its discretion: (a) may request Issuer or Agent to issue and authenticate a new Bond certificate, or (b) may make an appropriate notation on the Bond certificate indicating the date and amount of such reduction in principal except in the case of final maturity, in which case the certificate will be presented to Issuer or Agent prior to payment if required.

12. In the event that Issuer determines that beneficial owners of Bonds shall be able to obtain certificated Bonds, Issuer or Agent shall notify DTC of the availability of Bond certificates. In such event, Issuer or Agent shall issue, transfer, and exchange Bond certificates in appropriate amounts, as required by DTC and others.

13. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent (at which time DTC will confirm with Issuer or Agent the aggregate principal amount of Bonds outstanding). Under such circumstances, at DTC's request Issuer and Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Bonds to any DTC Participant having Bonds credited to its DTC accounts.

14. Nothing herein shall be deemed to require Agent to advance funds on behalf of Issuer.

Notes:

A. If there is an Agent (as defined in this Letter of Representations), Agent as well as Issuer must sign this Letter. If there is no Agent, in signing this Letter Issuer itself undertakes to perform all of the obligations set forth herein.

B. Under Rules of the Municipal Securities Rulemaking Board relating to "good delivery", a municipal securities dealer must be able to determine the date that a notice of a partial call or of an advance refunding of a part of an issue is published (the "publication date"). The establishment of such a publication date is addressed in Paragraph 3 of the Letter.

C. Schedule B contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

City of Bellevue, Washington

(Issuer)

By: _____
(Authorized Officer's Signature)

The Bank of New York

(Agent)

By: _____
(Authorized Officer's Signature)

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____
(Authorized Officer)

CC: Underwriter
Underwriter's Counsel

SCHEDULE A

(Describe Issue)

<u>CUSIP</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
	\$ 140,000	July 1, 1995	4.050%
	95,000	July 1, 1996	4.400
	195,000	July 1, 1997	4.650
	295,000	July 1, 1998	4.750
	315,000	July 1, 1999	4.900
	325,000	July 1, 2000	5.000
	345,000	July 1, 2001	5.100
	1,040,000	July 1, 2002	5.200
	1,135,000	July 1, 2003	5.300
	1,210,000	July 1, 2004	5.400
	1,155,000	July 1, 2005	5.500
	1,220,000	July 1, 2006	5.600
	1,105,000	July 1, 2007	5.700
	980,000	July 1, 2008	5.800
	1,050,000	July 1, 2009	5.875
	1,135,000	July 1, 2010	5.875

SCHEDULE B

SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

maintained by the Bond Registrar as of the 15th day of the month preceding the interest payment date.

Reference is hereby made to additional provisions of this bond set forth below and such additional provisions shall for all purposes have the same effect as if set forth in this space. Reference is also made to the Bond Ordinance (hereinafter defined) as more fully describing the covenants with and the rights of registered owners of the bonds or registered assigns and the meanings of capitalized terms appearing on the bonds which are defined in such ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance (as hereinafter defined) until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

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

IN WITNESS WHEREOF, the City of Bellevue, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Clerk of the City, and the seal of the City to be reproduced or impressed hereon, as of this first day of August, 1994.

CITY OF BELLEVUE, WASHINGTON

By _____

ATTEST:

Clerk of the City

The Certificate of Authentication for the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within-referenced Bond Ordinance of the City of Bellevue, Washington, and is one of the Water and Sewer Revenue Refunding Bonds, 1994, dated August 1, 1994, of such City.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Officer

(Form of Registered Bond - Reverse)

ADDITIONAL BOND PROVISIONS

This bond is one of an issue of water and sewer revenue bonds of the City of like date and tenor, except as to number, interest rate and date of maturity, in the aggregate principal amount of \$11,740,000 (the "Bonds") issued pursuant to Ordinance No. 4678 of the City, passed July 25, 1994 (the "Bond Ordinance"), to pay a portion of the costs of refunding certain outstanding Water and Sewer Revenue Bonds of the City.

Both principal of and interest on this bond are payable solely out of the special fund of the City known as the "Water and Sewer Revenue Bond Redemption Fund, 1976" created by Ordinance No. 2328 of the City (the "Bond Redemption Fund"). These Bonds are not a general obligation of the City.

The outstanding bonds maturing on and after July 1, 2005 are subject to optional redemption prior to their maturity, in whole on any date on or after July 1, 2004, or in part on July 1, 2004 and on any interest payment date thereafter (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar shall determine), 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 in accordance with the

foregoing paragraph. If less than all of the principal amount of any bond is redeemed, upon surrender of such bond at the principal office of the Bond Registrar, there shall be issued to the registered owner without charge therefor for the then unredeemed balance of the principal amount thereof, a new bond or bonds, at the option of the registered owner, of like maturity and interest rate in any of the denominations authorized by this ordinance.

Notice of redemption, unless waived, is to be given by the Bond Registrar by mailing an official redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the bond or bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. Notice of redemption having been given as aforesaid, the bonds or portions of bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such bonds or portions of Bond shall cease to bear interest.

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.

The City does hereby pledge and bind itself to set aside from the money in the Waterworks Utility Revenue Fund, and to pay into and maintain the Bond Redemption Fund and the Reserve Account created therein, the various amounts required by the Bond Ordinance to be paid into and maintained in said Fund and Account, all within the times provided by said ordinance. The City has further pledged and bound itself to set aside and pay into said Waterworks Utility Revenue Fund as collected the Revenue of the Waterworks Utility of the City.

The amounts pledged to be paid into and maintained in said Fund and Account are hereby declared to be a prior lien and charge upon the money in said Revenue Fund superior to all other charges of any kind or nature except the Operating and Maintenance Expense and equal in rank to the charges therein to pay and secure the payment of the principal of and interest on the water and sewer revenue bonds of the City issued under dates of December 30, 1986, April 1, 1987, July 1, 1987 and October 1, 1991 (the "Outstanding Parity Bonds") and to any charges that may be made later upon the money in said Revenue Fund to pay and secure the payment of the principal of and interest on any water and sewer revenue bonds which the City may issue later on a parity with the Outstanding Parity Bonds and the bonds of this issue.

The City has further bound itself to maintain said combined water and sewerage system in good condition and repair, to operate the same in an efficient matter and at a reasonable cost, and to establish, maintain and collect rates and charges for water supplied and sanitary sewage collection and disposal service furnished for as long as any of the Outstanding Parity Bonds, these bonds and any bonds issued on a parity therewith are outstanding that will make available for the payment of the principal of and interest on all of such bonds as the same shall become due an amount equal to at least 1.25 times the average amount required to be paid annually hereafter into such Bond Redemption Fund to pay the principal of and interest on all of such bonds after Operating and Maintenance Expense.

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

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

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

the within bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ of _____, or its

successor, as Agent to transfer said bond on the books kept by the Bond Registrar for registration thereof, with full power of substitution in the premises.

DATED: _____, ____.

SIGNATURE GUARANTEED:

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