

CITY OF MONROE, WASHINGTON
WATER AND SEWER REVENUE REFUNDING BONDS, 2016
AND
WATER AND SEWER REVENUE BONDS, 2017

ORDINANCE NO. 019/2016

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF TWO OR MORE SERIES OF WATER AND SEWER REVENUE AND REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$16,700,000 TO PROVIDE FUNDS TO REFUND CERTAIN OUTSTANDING WATER AND SEWER BONDS OF THE CITY AND TO MAKE IMPROVEMENTS TO THE WATER, SEWER AND STORMWATER MANAGEMENT SYSTEMS OF THE CITY; FIXING OR SETTING PARAMETERS WITH RESPECT TO CERTAIN TERMS AND COVENANTS OF EACH SERIES OF THE BONDS; APPOINTING THE CITY'S DESIGNATED REPRESENTATIVE TO APPROVE THE FINAL TERMS OF THE SALE OF EACH SERIES OF THE BONDS; AND PROVIDING FOR OTHER RELATED MATTERS

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**CITY OF MONROE
ORDINANCE NO. 017/2016**

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF TWO OR MORE SERIES OF WATER AND SEWER REVENUE AND REFUNDING BONDS OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$16,700,000 TO PROVIDE FUNDS TO REFUND CERTAIN OUTSTANDING WATER AND SEWER BONDS OF THE CITY AND TO MAKE IMPROVEMENTS TO THE WATER, SEWER AND STORMWATER MANAGEMENT SYSTEMS OF THE CITY; FIXING OR SETTING PARAMETERS WITH RESPECT TO CERTAIN TERMS AND COVENANTS OF EACH SERIES OF THE BONDS; APPOINTING THE CITY'S DESIGNATED REPRESENTATIVE TO APPROVE THE FINAL TERMS OF THE SALE OF EACH SERIES OF THE BONDS; AND PROVIDING FOR OTHER RELATED MATTERS

WHEREAS, the City of Monroe, Washington (the "City") owns, operates and maintains a water supply and distribution system and a sanitary sewage collection and disposal system, which systems were combined by Ordinance No. 1003 of the City, passed on December 23, 1992 (together, the "Water and Sewer System"), and also owns, operates and maintains a stormwater management utility system (the "Stormwater Management System"), which was combined with the Water and Sewer System by Ordinance No. 015/2011 of the City, passed on June 14, 2011 (the combined systems, including all additions thereto and betterments and extensions thereof at any time made, to be hereinafter referred to as the "System"), as authorized by RCW 35.67.331; and

WHEREAS, the City issued its Water and Sewer Revenue Refunding Bond, 2005 (the "2005 Bond"), pursuant to Ordinance No. 020/2005, currently outstanding in the aggregate principal amount of \$2,929,000; and

WHEREAS, the City issued its Water and Sewer Revenue and Refunding Bonds, 2009 (the "2009 Bonds"), pursuant to Ordinance No. 009/2009, currently outstanding in the aggregate principal amount of \$1,765,000; and

WHEREAS, Ordinance No. 009/2009 provides that certain of the 2009 Bonds may be redeemed prior to their stated maturities; and

WHEREAS, the City issued its Water and Sewer Revenue Bonds, 2011 (the "2011 Bonds"), pursuant to Ordinance No. 015/2011, currently outstanding in the aggregate principal amount of \$13,165,000; and

WHEREAS, Ordinance No. 015/2011 provides that certain of the 2011 Bonds may be redeemed prior to their stated maturities; and

WHEREAS, Ordinances Nos. 020/2005, 009/2009, and 015/2011, authorizing the 2005 Bond, the 2009 Bonds, and the 2011 Bonds, respectively, provide that the City may issue additional water and sewer revenue bonds on a parity with the 2005 Bond, the 2009 Bonds, and the 2011 Bonds if certain conditions are met; and

WHEREAS, the City wishes to construct a public works shop, lunch room, locker room and emergency operations center (the "Project"); and

WHEREAS, the City deems it necessary and advisable to issue revenue refunding bonds (the "2016 Bonds") in one or more series, if interest rates are favorable, to refund a portion of the outstanding 2009 Bonds, and 2011 Bonds, and wishes to issue the 2016 Bonds on a parity with the 2005 Bond, remaining 2009 Bonds, and remaining 2011 Bonds (the "Outstanding Parity Bonds"), as permitted under the ordinances authorizing the issuance of the Outstanding Parity Bonds; and

WHEREAS, the City deems it necessary and advisable to issue revenue bonds (the "2017 Bonds") in one or more series to provide funds to finance or reimburse the City for capital improvements to the System, and wishes to issue the 2017 Bonds on a parity with the Outstanding Parity Bonds, and the 2016 Bonds, as permitted under this ordinance and the ordinances authorizing the issuance of the Outstanding Parity Bonds.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MONROE, WASHINGTON, AS FOLLOWS:

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

Acquired Obligations means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by this ordinance.

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

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

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

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

With the consent of the appropriate percentage of owners of the Outstanding Parity Bonds, the City may pass a supplemental ordinance supplementing this ordinance for the purpose of providing that in calculating the Annual Debt Service, the City may exclude any direct payment the City is expected to receive in respect of any Future Parity Bonds for which the federal government will provide the City with a direct payment of a portion of the interest from the interest portion of Annual Debt Service. The owners of the 2011 Bonds, 2016 Bonds and 2017 Bonds by taking and holding the same shall be deemed to have consented to the adoption of the supplemental ordinance.

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

Bond Purchase Agreement means each offer to purchase a Series of the Bonds, setting forth certain terms and conditions of the issuance, sale and delivery of those Bonds, which offer is authorized to be accepted by the Designated Representative on behalf of the City, if consistent with this ordinance.

Bond Register means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Bond.

Bond Registrar or Registrar means the Fiscal Agent, or any successor bond registrar selected by the City.

Bonds mean the 2016 Bonds and 2017 Bonds.

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

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

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

Construction Account means the account designed by the Finance Director for deposit of proceeds of the 2017 Bonds.

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

Council means the legislative authority of the City, as duly and regularly constituted from time to time.

DTC means The Depository Trust Company, New York, New York, or its nominee.

Designated Representative means the officer of the City appointed in Section 5 of this ordinance to serve as the City's designated representative in accordance with RCW 39.46.040(2).

Final Terms means the terms and conditions for the sale of each Series of the Bonds including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants, including minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes).

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

Fiscal Agent means the fiscal agent of the State, as the same may be designated by the State from time to time.

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

Government Obligations has the meaning given in RCW 39.53.010, as now in effect or as may hereafter be amended.

Issue Date means, with respect to a Bond, the date of initial issuance and delivery of that Bond to the Underwriter in exchange for the purchase price of that Bond.

Letter of Representations means the Blanket Issuer Letter of Representations between the City and DTC, dated June 12, 1996, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

MSRB means the Municipal Securities Rulemaking Board.

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

Official Statement means the offering document, disclosure document, private placement memorandum or substantially similar disclosure document provided to purchasers and potential purchasers in connection with the initial offering of each Series of the Bonds in conformance with Rule 15c2-12 or other applicable regulations of the SEC.

Parity Bonds means the 2005 Bond, the 2009 Bonds, the 2011 Bonds, the 2016 Bonds, the 2017 Bonds and any Future Parity Bonds.

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

Rating Agency means any nationally recognized rating agency then maintaining a rating on the Bonds at the request of the City.

Record Date means the Bond Registrar's close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar's close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 8.

Refunded Bonds means all or a portion of the Refunding Candidates selected by the Designated Representative to be refunded with proceeds of the 2016 Bonds and included in the Refunding Plan.

Refunding Candidates means the 2009 Refunding Candidates and the 2011 Refunding Candidates.

Refunding Plan means:

A. the placement of sufficient proceeds of the 2016 Bonds which, with other money of the City, if necessary, may be used to acquire the Acquired Obligations to be deposited, with cash, if necessary, with the Refunding Trustee;

B. the payment of the principal of and interest on the Refunded Bonds when due up to and including August 1, 2019 (for the 2009 Refunding Candidates), and June 1, 2021 (for the 2011 Refunding Candidates), and the call, payment, and redemption on such dates, of all of the then-outstanding Refunded Bonds at a price of par; and

C. may include the payment of the costs of issuing the 2016 Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

Refunding Trust Agreement means a Refunding Trust Agreement between the City and the Refunding Trustee.

Refunding Trustee means the trustee or escrow agent or any successor trustee or escrow agent serving as refunding trustee to carry out the Refunding Plan.

Registered Owner means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as the City utilizes the book-entry only system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

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

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

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

Reserve Requirement means, as of any date, an amount equal to the lesser of (1) 125% of average Annual Debt Service for the Parity Bonds, or (2) maximum Annual Debt Service for the Parity Bonds, but in no case shall such amount exceed 10% of the net proceeds of such series of Bonds.

Revenue Fund means, collectively the following funds: (1) the special fund of the City created by Section 3 of Ordinance No. 1003 known as the "Water and Sewer Revenue Fund" into which the City has pledged to pay all water and sewer revenues, as collected, and the (2) Storm Drainage Revenue Fund" into which the City has pledged to pay all of the revenue of the Stormwater Management Utility, as collected.

Revenue of the System means all earnings, revenue and money, except ULID Assessments, received by the City from or on account of the operation of the System, including proceeds from the sale, lease or other disposition of any of the properties or facilities of the System and the income from investments of money in the Revenue Fund and the Bond Fund or from any other investment thereof except the income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of retirement or refunding. "Revenue of the System" shall also include any federal or state reimbursements of operating expenses to the extent that such expenses are included as "Costs of Maintenance and Operation."

Rule 15c2-12 means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

SEC means the United States Securities and Exchange Commission.

Securities Depository means DTC, any successor thereto, any substitute securities depository selected by the City that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

Serial Bonds means Parity Bonds other than Term Bonds.

Series of the Bonds or **Series** means a series of the Bonds issued pursuant to this ordinance.

State means the State of Washington.

Stormwater Management Utility means the storm drainage system of the City, which has been combined with the Water and Sewer System.

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

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

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

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

2009 Refunding Candidates means the 2009 Bonds maturing on and after August 1, 2020, issued pursuant to Ordinance No. 009/2009, the refunding of which has been provided for by this ordinance.

2011 Bonds means the Water and Sewer Revenue Bonds, 2011 issued pursuant to Ordinance No. 015/2011.

2011 Refunding Candidates means the 2011 Bonds maturing on and after December 1, 2022, issued pursuant to Ordinance No. 015/2011, the refunding of which has been provided for by this ordinance.

2016 Bonds mean the City's Water and Sewer Revenue Refunding Bonds, 2016, in one or more series, authorized to be issued pursuant to this ordinance.

2017 Bonds mean the City's Water and Sewer Revenue Bonds, 2017, in one or more series, authorized to be issued pursuant to this ordinance.

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

Undertaking means the undertaking to provide continuing disclosure entered into pursuant to Section 27 of this ordinance.

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

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

Section 2. The Project. The Council hereby finds and determines that the public interest requires that the City construct a public works shop, lunch room, locker room and emergency operations center and other capital improvements to the System (collectively, the "Project"). The Council hereby adopts the Project as a plan and system for additions and betterments to the System. The estimated cost of the Project to be funded with bond proceeds is estimated to be \$6,000,000.

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

Section 3. Compliance with Parity Conditions. The Council hereby finds, as required by Section 11 of Ordinance No. 020/2005, Section 18 of Ordinance No. 009/2009 and Section No. 17 of Ordinance No. 015/2011, as follows:

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

Second, Section 13 of this ordinance provides that all ULID Assessments shall be paid directly into the Principal and Interest Account in the Bond Fund;

Third, Section 12 of this ordinance provides for the deposit into the Reserve Account of the amount necessary to fund the Reserve Requirement upon the issuance of each Series of the Bonds; and

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

The parity conditions contained in Ordinances Nos. 020/2005, 009/2009, and 015/2011, having been complied with or assured, the payments required in this ordinance to be made out of the Revenue Fund into the Bond Fund and Reserve Account to pay and secure the payment of the principal of and interest on each Series of the Bonds shall constitute a lien and charge upon the money in the Revenue Fund equal in rank with the lien and charge thereon for the payments required to be made into the Bond Fund to pay and secure the payment of the principal of and interest on the 2005 Bond, the 2009 Bonds, and the 2011 Bonds.

Section 4. Authorization of the Bonds. The City shall now issue and sell its water and sewer revenue refunding bonds to provide funds to refund certain outstanding 2009 Bonds and 2011 Bonds, to fund the Reserve Account, if necessary, and to pay costs of issuance of the 2016 Bonds. The City shall now issue and sell its water and sewer revenue bonds to provide funds to pay costs of the Project, to fund the Reserve Account, if necessary, and to pay costs of issuance of the 2017 Bonds.

Section 5. Description of the Bonds; Appointment of Designated Representative. The Finance Director, or the City Administrator in the absence of the Finance Director, is appointed as the City's Designated Representative and is authorized and directed to conduct the sale of each Series of the Bonds in the manner and upon the terms deemed most advantageous to the City, and to approve the Final Terms of each Series of the Bonds, with such additional terms and covenants as she or he deems advisable, within the following parameters:

A. *Principal Amount.* The 2016 Bonds may be issued in one or more series and shall not exceed the aggregate principal amount of \$10,000,000. The 2017 Bonds may be issued in one or more series and shall not exceed the aggregate principal amount of \$6,700,000.

B. *Date or Dates.* The Bonds shall be dated as of their date of delivery to the Underwriter, which dates may not be later than December 31, 2017.

C. *Denominations, Series Designation.* The Bonds must be issued in Authorized Denominations, shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative. The 2016 Bonds and the 2017 Bonds may be issued in either 2016 or 2017, and the series designation will be adjusted accordingly.

D. *Interest Rates.* The Bonds shall bear interest at fixed rates per annum (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent interest payment date for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds, provided that no rate of interest for any Bond may exceed 5.00%, and the true interest cost to the City for each Series of the Bonds may not exceed 4.00%.

E. *Payment Dates.* Interest must be payable at fixed rates semiannually on such dates as are acceptable to the Designated Representative, commencing no later than one year following the Issue Date of each Series of the Bonds. Principal payments shall commence on a payment date acceptable to the Designated Representative and must be payable at maturity or in mandatory redemption installments on such dates as are acceptable to the Designated Representative.

F. *Final Maturity.* The 2016 Bonds shall mature no later than December 1, 2031, and the 2017 Bonds shall mature no later than December 1, 2036.

G. *Savings.* There is a minimum aggregate net present value savings of 4.00% of the Refunded Bonds.

H. *Redemption Rights.* In her or his discretion, the Designated Representative may approve provisions for the optional and mandatory redemption of each Series of the Bonds, as follows:

(1) Optional Redemption. Any Bond may be designated as being (A) subject to redemption at the option of the City prior to its maturity date or (B) not subject to redemption prior to its maturity date.

(2) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity.

I. *Price.* The purchase price for each Series of the Bonds may not be less than 98% or more than 130% of the stated principal amount of each Series of the Bonds.

J. *Other Terms and Conditions.*

(1) The Bonds may be sold in accordance with Section 25 of this ordinance.

(2) The Designated Representative may determine whether it is in the City's best interest to provide for bond insurance, other credit enhancement or Reserve Insurance; and may accept such additional terms, conditions and covenants as she or he may determine are in the best interests of the City, consistent with this ordinance.

Section 6. Bond Registrar; Registration and Transfer of Bonds.

A. *Registration of Bonds.* Each Bond shall be issued only in registered form as to both principal and interest and the ownership of each Bond shall be recorded on the Bond Register.

B. *Bond Registrar; Duties.* The Fiscal Agent is appointed as initial Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of each Series of the Bonds, which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver each Series of Bonds transferred or exchanged in accordance with the provisions of each Series of the Bonds and this ordinance, to serve as the City's paying agent for each Series of the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner 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 Owners.

C. *Bond Register; Transfer and Exchange.* The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner.

A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the next upcoming interest payment or redemption date.

D. *Securities Depository; Book-Entry Only Form.* If a Bond is to be issued in book-entry form, DTC shall be appointed as initial Securities Depository and each such Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the City; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the City, the City may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the City does not appoint a substitute Securities Depository, or (ii) the City terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this ordinance.

Neither the City nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the City nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner except such notice as is required to be given by the Bond Registrar to the Securities Depository.

Section 7. Payment of Bonds. Both principal of and interest on each Series of the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date (the "record date") or, if requested in writing by a registered owner of \$1,000,000 or more in principal amount of Bonds prior to the applicable record date, by wire transfer on the interest payment date. Principal of each Series of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners to the Bond Registrar. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on each Series of the Bonds shall be made in the manner set forth in the Letter of Representations.

Section 8. Redemption Provisions and Purchase of Bonds.

A. *Optional Redemption.* Each Series of the Bonds shall be subject to redemption at the option of the City on terms acceptable to the Designated

Representative, as set forth in the Bond Purchase Agreements, consistent with Section 5.

B. *Mandatory Redemption.* Each Bond that is designated as a Term Bond in the Bond Purchase Agreements, consistent with the parameters set forth in Section 5 and except as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Agreements. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the City and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

C. *Selection of Bonds for Redemption; Partial Redemption.* If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the City shall select the Series and maturities to be redeemed. If fewer than all of the outstanding Bonds of a maturity of a Series are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

D. *Notice of Redemption.* Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the Finance Officer shall determine, but these additional mailings shall not be a condition precedent to the redemption of any Bond.

E. *Rescission of Optional Redemption Notice.* In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled optional redemption date.

Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of optional redemption has been rescinded shall remain outstanding.

F. *Effect of Redemption.* Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

G. *Purchase of Bonds.* The City reserves the right to purchase any or all of the Bonds offered to the City at any time at any price acceptable to the City plus accrued interest to the date of purchase.

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

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

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

FIRST, to pay the Costs of Maintenance and Operation;

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

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

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

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

lien thereon for the payment of the principal of and interest on the Parity Bonds, including the City's public trust fund loans;

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

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

Section 11. Disposition of Bond Proceeds.

A. The 2016 Bond proceeds shall be deposited as follows:

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

(2) The balance of the 2016 Bond proceeds shall be deposited with the Refunding Trustee as provided in Section 22.

B. The 2017 Bond proceeds shall be deposited as follows:

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

(2) The balance of the 2017 Bond proceeds shall be deposited into the Construction Account and used to pay costs of the Project and costs of issuing the 2017 Bonds. Money remaining in the Construction Account after all of such costs have been paid or reimbursed, or the Council determines not to construct portions of such Project, may be used to pay costs of other legally authorized capital expenditures of the System or shall be deposited in the Bond Fund. Money in the Construction Account may be invested as permitted by law. All interest earned and profits derived from such investments shall be retained in and become a part of the Construction Account or deposited into the Bond Fund.

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

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

fund payment date, an amount sufficient to pay the principal or sinking fund payment of the Parity Bonds due and payable on such date.

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

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

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

With the consent of the owners of not less than 65% in aggregate principal amount of Outstanding Parity Bonds, as provided in Section 20, the ordinance authorizing any Future Parity Bonds may establish a separate debt service reserve account for any such Future Parity Bonds and set forth the reserve account requirement for such bonds or provide that some or all of such Future Parity Bonds be secured by the Reserve Account. The owners of the 2016 Bonds and 2017 Bonds by taking and holding the same shall be deemed to have consented to the adoption by the City of such supplemental ordinance.

C. *Investments.* All money in the Bond Fund may be invested in any legal investment permitted to the City by law maturing, for investments in the Principal and Interest Account, not later than when the funds are required for the payment of principal or interest and, for investments in the Reserve Account, maturing not later than

the last maturity of any then outstanding Parity Bonds. Interest earned on any such investments shall be deposited in and become a part of that account.

Section 13. Revenue Pledge. The Net Revenue is hereby pledged to the payment of each Series of the Bonds. The charge or lien upon the Net Revenue for each Series of the Bonds shall be equal to the charge or lien upon the Net Revenue to pay and secure the payment of the principal of and interest on the 2005 Bond, the 2009 Bonds, the 2011 Bonds and any Future Parity Bonds, prior and superior to any other charges of any kind or nature whatsoever.

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

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

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

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

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

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

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

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

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

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

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

Section 15. Tax Covenants; Designation of Series of Bonds as "Qualified Tax Exempt Obligations."

A. *Preservation of Tax Exemption for Interest on Bonds.* The City covenants that it will take all actions necessary to prevent interest on each Series of the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of each Series of the Bonds or other funds of the City treated as proceeds of each Series of the Bonds that will cause interest on each Series of the Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds.

B. *Post-Issuance Compliance.* The Finance Director is authorized and directed to adopt and implement the City's written procedures to facilitate compliance by the City with the covenants in this ordinance and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Bonds from being included in gross income for federal tax purposes.

C. *Designation of Bonds as "Qualified Tax-Exempt Obligations."* A Series of the Bonds may be designated as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code, if the following conditions are met:

(1) the Series does not constitute "private activity bonds" within the meaning of Section 141 of the Code;

(2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Series is issued will not exceed \$10,000,000; and

(3) the amount of tax-exempt obligations, including the Series, designated by the City as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Series is issued does not exceed \$10,000,000.

Section 16. Future Parity Bonds. The City reserves the right to issue Future Parity Bonds if the following conditions shall be met and complied with at the time of issuance of such Future Parity Bonds:

A. There shall be no deficiency in the Bond Fund.

B. The ordinance authorizing the Future Parity Bonds shall provide that all ULID Assessments shall be paid directly into the Bond Fund, except for any prepaid assessments permitted by law to be paid into a construction fund or account.

C. The ordinance authorizing the Future Parity Bonds shall provide for payment out of the Bond Fund of the principal thereof, interest thereon and the sinking fund payments for any Term Bonds.

D. The ordinance authorizing the Future Parity Bonds shall provide for the deposit into the Reserve Account of (i) an amount, if any, necessary to fund the Reserve Requirement upon the issuance of those Future Parity Bonds from Future Parity Bond proceeds or other money legally available, or (ii) Reserve Insurance or an amount plus Reserve Insurance necessary to fund the Reserve Requirement upon the issuance of those Future Parity Bonds, or (iii) amounts necessary to fund the Reserve Requirement from ULID Assessments and Net Revenue within five years from the date of issuance of those Future Parity Bonds, in five approximately equal annual payments.

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

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

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

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

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

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

(c) the additional Net Revenue estimated by such engineer or accountant to be received as a result of any additions, betterments and improvements to and extensions of any facilities of the System that are (i) under

construction at the time of such certificate or (ii) will be constructed from the proceeds of the Future Parity Bonds to be issued;

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

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

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

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

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

Section 17. Form of the Bonds. Each Series of the Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

No. _____ \$ _____

STATE OF WASHINGTON

CITY OF MONROE

WATER AND SEWER REVENUE [REFUNDING] BOND, [2016/2017]

INTEREST RATE: _____ MATURITY DATE: _____ CUSIP NO.: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Monroe, Washington (the "City") a municipal corporation organized and existing under and by virtue of the laws of the State of Washington, promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the City known as the "Water and Sewer Revenue Bond Fund" (the "Bond Fund") the Principal Amount indicated above and to pay interest thereon from the Bond Fund from the date of this bond, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable semiannually on the first days of each June and December beginning on _____, 20___. The principal of, premium, if any, and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") by the City to The Depository Trust Company ("DTC"). Principal shall be paid as provided in the Letter of Representations to the Registered Owner or assigns upon presentation and surrender of this bond at the office of the fiscal agent of the State of Washington (the "Bond Registrar"). Capitalized terms used in this bond which are not specifically defined have the meanings given such terms in Ordinance No. 019/2016 of the City (the "Bond Ordinance").

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

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

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

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

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

To the extent more particularly provided by the Bond Ordinance, the amounts so pledged to be paid from the Revenue Fund out of the revenue of the System into the Bond Fund and the reserve account therein shall be a lien and charge thereon equal in

rank to the lien and charge upon said revenue of the amounts required to pay and secure the payment of the principal of and interest on the City's Water and Sewer Revenue Refunding Bond, 2005, the City's Water and Sewer Revenue and Refunding Bonds, 2009, the City's Water and Sewer Revenue Bonds, 2011[, the City's Water and Sewer Revenue Refunding Bonds, 2016] and any revenue bonds of the City hereafter issued on a parity with the bonds of this issue, and superior to all other liens and charges of any kind or nature except the Costs of Maintenance and Operation of the System.

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

The pledge of revenue of the System and other obligations of the City under the Bond Ordinance may be discharged at or prior to the maturity or redemption of the bonds of this issue upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

The bonds are subject to redemption prior to their maturity as provided in the Bond Ordinance and in the Official Statement for the Bonds.

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

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

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

IN WITNESS WHEREOF, the City has caused this bond to be signed with the facsimile or manual signature of the Mayor, to be attested by the facsimile or manual signature of the City Clerk, and the corporate seal of the City to be imprinted or impressed hereon, all as of this ____ day of _____, 20__.

CITY OF MONROE, WASHINGTON

(SEAL)

By /s/ facsimile or manual
Mayor

ATTEST:

 /s/ facsimile or manual
City Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Water and Sewer Revenue [Refunding] Bonds, [2016/2017] of the City of Monroe, Washington, dated _____, 20__.

WASHINGTON STATE FISCAL
AGENT, Bond Registrar

By _____
Authorized Signer

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER
IDENTIFICATION NUMBER OF TRANSFEREE

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

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

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

DATED: _____, _____.

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

SIGNATURE GUARANTEED:

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

Section 18. Execution of the Bonds. Each Series of the Bonds shall be signed on behalf of the City by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk and shall have the seal of the City impressed or a facsimile thereof imprinted thereon.

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

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the City before the Bonds so signed shall have been registered, or issued by the City, such Bonds may nevertheless be registered, delivered and issued and upon such registration, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. The Bonds may also be signed and attested on behalf of the City by such persons as at the actual date of execution of the Bonds shall be the proper officers of the City although at the original date of the Bonds any such person shall not have been such officer of the City.

Section 19. Lost or Stolen Bonds. In case a Bond of each Series shall be lost, stolen or destroyed, the Bond Registrar may deliver a new bond of like amount, date, interest rate, tenor, and effect to the registered owner or nominee thereof upon the owner paying the expenses and charges of the City in connection therewith and upon filing with the Bond Registrar evidence satisfactory to said Bond Registrar that such bond was actually lost, stolen or destroyed and ownership thereof, and upon furnishing the City with indemnity satisfactory to both.

Section 20. Additional or Supplemental Ordinances.

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

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

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance or any ordinance authorizing Future Parity Bonds in regard to matters or questions arising under such ordinances as the Council may deem necessary or desirable and not inconsistent with such ordinances and which shall not adversely affect the interest of the owners of the Parity Bonds. Any such supplemental ordinance of the City may be passed without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of Subsection B of this section, if the City obtains

an opinion of nationally recognized bond counsel to the effect that such supplemental ordinance will not adversely effect the interests of the owners of Parity Bonds.

B. With the consent of the owners of not less than 65% in aggregate principal amount of the Parity Bonds at the time outstanding, the Council may pass an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall:

(1) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the times of payment of interest thereon from their due dates, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each bond so affected; or

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

It shall not be necessary for the consent of bondowners under this Subsection B to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

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

Section 21. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of the refunding or defeasance. If money and/or Government Obligations (as defined in chapter 39.53 RCW, as now or hereafter amended) maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased Bonds (hereinafter called the "trust account"), then all right and interest of the owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. The owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular

maturity of the Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the City may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine. If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of Representations for notices of redemption of Bonds.

Section 22. Refunding of the Refunded Bonds.

A. *Appointment of Refunding Trustee.* The Designated Representative is authorized to appoint a Refunding Trustee in connection with the Bonds.

B. *Use of 2016 Bond Proceeds; Acquisition of Acquired Obligations.* All of the proceeds of the sale of the 2016 Bonds shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to discharge the obligations of the City relating to the Refunded Bonds under Ordinances Nos. 009/2009 and 015/2011 by providing for the payment of the amounts required to be paid by the Refunding Plan. To the extent practicable, such obligations shall be discharged fully with the 2016 Bond proceeds or by the Refunding Trustee's simultaneous purchase of 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 a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations, if acquired, will be listed and more particularly described in an exhibit to be attached to the Refunding Trust Agreement between the City and the Refunding Trustee, but are subject to substitution as set forth below. Any 2016 Bond proceeds or other money deposited with the Refunding Trustee not needed to purchase the Acquired Obligations and provide a beginning cash balance, if any, and pay the costs of issuance of the 2016 Bonds shall be returned to the City at the time of delivery of the 2016 Bonds to the initial purchaser thereof and deposited in the Bond Fund to pay interest on the 2016 Bonds on the first interest payment date.

If payment of the costs of issuance of the 2016 Bonds is not included in the Refunding Plan, the 2016 Bond proceeds that are not deposited with the Refunding Trustee will be deposited with the City to be used to pay the costs of issuance of the 2016 Bonds.

C. *Substitution of Acquired Obligations.* Prior to the purchase of any Acquired Obligations by the Refunding Trustee, the City reserves the right to substitute other direct, noncallable obligations of the United States of America ("Substitute Obligations") for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if, such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm.

After the purchase of the Acquired Obligations, if any, by the Refunding Trustee, the City reserves the right to substitute therefor cash or Substitute Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be

sufficient to carry out the Refunding Plan, that such substitution will not cause the Bonds or the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue dates of the 2016 Bonds and the Refunded Bonds, as applicable, and that the City obtain, at its expense a verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee confirming that the payments of principal of and interest on the substitute securities, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan. Any surplus money resulting from the sale, transfer, other disposition, or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the City to be used for any lawful City purpose.

D. *Administration of Refunding Plan.* The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or substitute obligations), if so directed by the Designated Representative, and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of Ordinance No. 009/2009, Ordinance No. 015/2011, this ordinance, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. 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 Refunded Bonds and costs related to the issuance and delivery of the Bonds, including bond printing, Bond Counsel's fees, and other related expenses, shall be paid out of the proceeds of the Bonds.

E. *Authorization for Refunding Trust Agreement.* To carry out the Refunding Plan provided for by this ordinance, the Designated Representative is authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption, and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation, and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the Designated Representative of the City is authorized to make such changes therein that do not change the substance and purpose thereof.

Section 23. Call for Redemption of the Refunded Bonds. The City calls for redemption on the dates determined by the Designated Representative, all of the Refunded Bonds at par plus accrued interest. Such call for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof. The dates on which the Refunded Bonds are herein called for redemption are the first dates on which those bonds may be called.

The proper City officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required by Ordinance

No. 009/2009 and 015/2011, in order to effect the redemption prior to their maturity of the Refunded Bonds.

Section 24. Findings with Respect to Refunding. The City Council authorizes the Designated Representative to issue the 2016 Bonds, if such bonds will effective a savings to the City and is in the best interest of the City and its ratepayers. In making such finding and determination, the Designated Representative will give consideration to the fixed maturities of the 2016 Bonds and the Refunded Bonds, the costs of issuance of the 2016 Bonds and the known earned income from the investment of the proceeds of the issuance and sale of the 2016 Bonds and other money of the City used in the Refunding Plan, if any, pending payment and redemption of the Refunded Bonds.

The Designated Representative may also purchase Acquired Obligations to be deposited with the Refunding Trustee, together with the income therefrom, and with any necessary beginning cash balance, which will be sufficient to redeem the Refunded Bonds and will discharge and satisfy the obligations of the City under Ordinances Nos. 009/2009 and 015/2011 with respect to the Refunded Bonds, and the pledges, charges, trusts, covenants, and agreements of the City therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under such ordinance immediately upon the deposit of such money with the Refunding Trustee.

Section 25. Sale and Delivery of the Bonds.

A. *Manner of Sale of Bonds; Delivery of Bonds.* The Designated Representative is authorized to sell each Series of the Bonds by negotiated sale, based on the assessment of the Designated Representative of market conditions, in consultation with appropriate City officials and staff, Bond Counsel and other advisors. In determining the method of sale of a Series and accepting the Final Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the City.

B. *Procedure for Negotiated Sale.* The Designated Representative shall select one or more Underwriter with which to negotiate the sale. The Bond Purchase Agreement for each Series of the Bonds shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Agreement on behalf of the City, so long as the terms provided therein are consistent with the terms of this ordinance.

C. *Preparation, Execution and Delivery of the Bonds.* Each Series of the Bonds will be prepared at City expense and will be delivered to the Underwriter in accordance with the respective Bond Purchase Agreement, together with the approving legal opinion of Bond Counsel regarding such Series of the Bonds.

Section 26. Official Statement.

A. *Preliminary Official Statement Deemed Final.* The Designated Representative shall review and, if acceptable to her or him, approve the preliminary Official Statement prepared in connection with each sale of a Series of the Bonds to the

public. For the sole purpose of the Underwriter's compliance with paragraph (b)(1) of Rule 15c2-12, if applicable, the Designated Representative is authorized to deem that preliminary Official Statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The City approves the distribution to potential purchasers of each Series of the Bonds of a preliminary Official Statement that has been approved by the Designated Representative and been deemed final, if applicable, in accordance with this subsection.

B. *Approval of Final Official Statement.* The City approves the preparation of a final Official Statement for each Series of the Bonds to be sold to the public in the form of the preliminary Official Statement that has been approved and deemed final in accordance with subsection (A), with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final Official Statement to the Underwriter if required under Rule 15c2-12. The City authorizes and approves the distribution by the Underwriter of the final Official Statement so executed and delivered to purchasers and potential purchasers of a Series of the Bonds.

Section 27. Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds, the City makes the following written undertaking (the "Undertaking") for the benefit of holders of the Bonds:

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

(1) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in paragraph (B) ("annual financial information");

(2) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (g) modifications to rights of holders of the Bonds, if material; (h) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (i) defeasances; (j) release, substitution, or sale of property securing repayment of the Bonds, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or similar event of the City, as such "Bankruptcy Events" are defined in Rule 15c2-12; (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the

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

(3) Audited annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State, such as the City, as such principles may be changed from time to time and as permitted by State law, if and when audited financial statements are prepared and available to the City.

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

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

(1) Shall consist of (A) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State, such as the City, as such principles may be changed from time to time and as permitted by State law, which statements may be unaudited; (B) the outstanding long-term indebtedness of the System, identifying separately Parity Bonds and any other debt of the System and the debt service coverage ratios; and (C) number of customers of the System;

(2) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 2016; and

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

C. *Amendment of Undertaking.* This Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

D. *Beneficiaries.* This Undertaking shall inure to the benefit of the City and the holder of each Bond, and shall not inure to the benefit of or create any rights in any other person.

E. *Termination of Undertaking.* The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if the provisions of Rule 15c2-12 that require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the City, and the City provides timely notice of such termination to the MSRB.

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

G. *Designation of Official Responsible to Administer Undertaking.* The Finance Director or her designee is the person designated, in accordance with the Bond Ordinance, to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

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

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

(3) Determining whether any person other than the City is an "obligated person" within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person required under Rule 15c2-12;

(4) Selecting, engaging and compensating designated agents and consultants, including financial advisors and legal counsel, to assist and advise the City in carrying out this Undertaking; and

(5) Effecting any necessary amendment of this undertaking.

Section 28. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

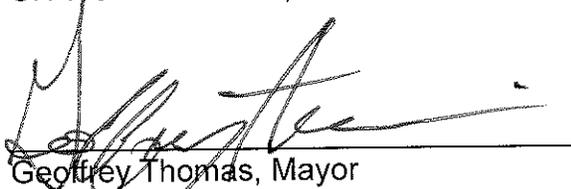
Section 29. Ratification. Any action consistent with the authority but prior to the effective date of this ordinance is hereby ratified and confirmed.

Section 30. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council of the City of Monroe, Washington, at a regular meeting thereof and APPROVED by the Mayor, this 16th day of November, 2016.

First Reading: November 1, 2016
Adoption: November 15, 2016
Published: November 22, 2016
Effective: November 27, 2016

CITY OF MONROE, WASHINGTON:

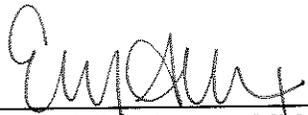


Geoffrey Thomas, Mayor

(SEAL)

ATTEST:

APPROVED AS TO FORM:



Elizabeth M. Smoot, MMC, City Clerk

J. Zachary Lell, City Attorney
(Prepared by Bond Counsel)