



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Director of Finance and Administration
Michael Olson, Deputy Director

Date: November 1, 2010

Subject: Bond Ordinance Adoption

RECOMMENDATION:

Council adopts the attached ordinance authorizing the issuance of limited tax general obligation bonds for planned facilities projects.

BACKGROUND:

The ordinance proposed for adoption by the Council on November 16 is the central legal document defining the Series 2010 Bonds and the various elements of security to bondholders and technical matters regarding payment of the Bonds over time. The following provides a summary of key items addressed in the ordinance:

- Authorizes the issuance of the Bonds
- Authorizes a "not-to exceed" principal amount
- Describes the purpose for which Bond proceeds are to be used
- Describes the Bond structure and term of years
 - Will provide for two series of bonds (this decision will be made based on the market conditions at the time of issuance)
 - Tax-exempt series
 - Build America Bond series
- Provides for the system of bond registration
- Provides redemption provisions and the manner of redemption notice
- Provides for the form of Bonds
- Covenants the City to include debt service on the Bonds in its annual budget
- Provides for the manner of sale of the Bonds
- Provides for authorization of a Designated Representative to act on behalf of the Council
 - Decisions regarding market timing
 - Decisions regarding manner of sale
 - Acceptance of bids/purchase offer

- Provides for a system of ongoing disclosure
 - Financial statement
 - Material event notices

As discussed at the October 19 Study Session, the draft bond ordinance provides for delegation of sales activities to the City Manager and Director of Finance and Administration without further consultation with the City Council. As explained, this provides greater flexibility relative to the selection of market timing. A question has been raised as to whether there are statutory limitations on the proposed delegation of authority. This question will be addressed in advance of the November 16 meeting by Cynthia Weed of K&L Gates LLP, the City's bond counsel for this issuance.

The draft bond ordinance provided as part of the packet contains placeholder information based on current conditions. The final ordinance will be completed shortly before the November 16 meeting and will be provided to the City Council at that time. The current financing assumptions are:

- The bonds will be used to fund the 2010-2012 facilities expansion costs,
- The total debt issuance is expected to fall in the range of \$35 million to \$38 million for the facilities projects,
- If a tax exempt issue is included in the project financing, the remaining 1999 bonds will be refinanced to realize interest rate savings, which would add a little more than \$600,000 to the debt issue,
- The term of the bonds will be 30 years, with a portion amortized over a 10 year period, as described below,
- The annexation area share of the debt service will be financed in two pieces: one that will reflect a per capita share to be funded over 30 years and one that will reflect incremental costs above that share that will be financed over 10 years,
- The amount of the bonds issued will be net of the planned use of cash reserves toward the existing City portion of the projects,
- The existing City share of the debt service will be "wrapped around" the City's retiring LTGO debt service to leverage the revenue sources freed up when that debt is retired.

As presented at the November 1 City Council meeting, the current cost estimates for pending facilities projects are summarized as follows:

Summary of Total Projected Facilities Projects	
\$37,319,518	Public Safety Building Costs
1,910,000	Maintenance Center Facilities Costs
<u>10,000,000</u>	City Hall Renovation Costs
\$49,229,518	Total Projected Facilities Projects 2010-2014

A further breakdown of the conceptual design estimate for the Public Safety Building costs is summarized on the following page.

Public Safety Building
11831 120th Avenue NE
(Based on Conceptual Design)

\$445,512	Demolition of existing elements
1,974,052	Court Facility
5,309,155	Police Support
3,229,827	Jail / Sally Port
629,352	Atrium
1,622,571	Firing Range
2,024,446	Other Police Functions (Evidence, SRT, Vehicle exam, etc)
<u>597,150</u>	Site Work
\$15,832,065	Opinion of Probable Construction Costs (excluding contingency, escalation, and sales tax)
\$19,156,799	Opinion of Probable Construction Costs (w/sales tax, contingency, and escalation added at 21%)
<u>7,662,719</u>	Est. A&E/CM, Permits, FF&Es
\$26,819,518	Subtotal - Recommended Project Costs (Design & Construction)
<u>10,500,000</u>	Building Purchase
\$37,319,518	Total Recommended Project Costs

Updated projections of the debt structure under consideration will be presented at the November 16 meeting.

CITY OF KIRKLAND, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2010

ORDINANCE NO. 4272

AN ORDINANCE OF THE CITY OF KIRKLAND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS IN ONE OR MORE SERIES OF THE CITY IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$_____ TO PROVIDE FUNDS FOR CAPITAL PROJECTS OF THE CITY, AND PAY FOR COSTS OF ISSUANCE OF THE BONDS; PROVIDING THE FORM AND TERMS OF SAID BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE; AND DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF SAID BONDS.

APPROVED ON NOVEMBER 16, 2010

PREPARED BY:

K&L GATES LLP
Seattle, Washington

CITY OF KIRKLAND
ORDINANCE NO. 4272
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* This Table of Contents and the cover page are not a part of the following ordinance and are included only for the convenience of the reader.

ORDINANCE NO. O-4272

AN ORDINANCE OF THE CITY OF KIRKLAND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS IN ONE OR MORE SERIES OF THE CITY IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$_____ TO PROVIDE FUNDS FOR CAPITAL PROJECTS OF THE CITY, AND PAY FOR COSTS OF ISSUANCE OF THE BONDS; PROVIDING THE FORM AND TERMS OF SAID BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE; AND DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF SAID BONDS.

WHEREAS, the best interests of the inhabitants of the City of Kirkland, Washington (the “City”) require that the City finance a new public safety facility and various additional capital improvement projects (collectively, the “Projects”); and

WHEREAS, the City is authorized by RCW chs. 35.22 and 39.46 to borrow money and issue general obligation bonds to finance the costs of the Projects; and

WHEREAS, it is in the best interest of the City to issue limited tax general obligation bonds in one or more series in the aggregate principal amount of not to exceed \$_____ (the “Bonds”) in order to obtain long term financing for the Projects;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KIRKLAND, WASHINGTON, DO ORDAIN as follows:

Section 1. Definitions and Interpretation of Terms.

(a) *Definitions.* As used in this ordinance, the following words shall have the following meanings:

Approved Bid means the winning bid submitted for each series of the Bonds if the Bonds are sold by Competitive Sale.

Beneficial Owner means any person that has or shares the power, directly or indirectly to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Bond Fund means the City's [_____] created or maintained pursuant to Section 10 of this ordinance.

Bond Purchase Contract means, if the Bonds shall be sold by Negotiated Sale, the purchase contract or contracts relating to the Bonds between the City and the Underwriter.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means, initially, the fiscal agency of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

Bonds means the City of Kirkland, Washington Limited Tax General Obligation Bonds, 2010, to be issued in one or more series in the principal amount of not to exceed \$ _____ pursuant to this ordinance.

Bond Year means each one-year period that ends on the date selected by the City. The first and last Bond Years may be short periods. If no day is selected by the City before the earlier of the final maturity date of the Bonds or the date that is five years after the date of issuance of the Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

Build America Bonds means bonds issued under authority of Section 54AA of the Code, enacted by the American Recovery and Reinvestment Act of 2009.

City means the City of Kirkland, Washington, a municipal corporation of the State of Washington.

Code means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

Commission means the Securities and Exchange Commission.

Competitive Sale means the process by which the Bonds are sold through the public solicitation of bids from underwriting firms.

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

Designated Representative means the City Manager, Director of Finance and Administration of the City and shall include any successor in function to either of them and any additional employee or officer of the City appointed in writing by either of them.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 4 hereof.

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

Letter of Representations means the blanket issuer letter of representations from the City to DTC.

Negotiated Sale means the process by which the Bonds are sold by negotiation to one or more underwriting firms selected by the Designated Representative.

Net Proceeds, when used with reference with the Bonds, means the principal amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount, if any.

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

Official Notice of Sale means, if the Bonds shall be sold by Competitive Sale, the notice(s) of bond sale authorized to be given in Section 12 of this Ordinance.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

Projects means the capital projects described in Section 2 of this ordinance and incorporated herein by this reference.

Project Fund means the [_____]of the City used to pay the costs of the Project and costs of issuance of the Bonds.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC shall be deemed to be the sole Registered Owner.

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

Term Bonds means any Bonds of a series designated as “Term Bonds” in the Bond Purchase Contract or Approved Bid for such series of Bonds.

Underwriter means the initial purchaser or representative of the purchasers (if more than one firm acts collectively with one or more additional underwriting firms) for each series of the Bonds.

(b) **Interpretation.** In this ordinance, unless the context otherwise requires:

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

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

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

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

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

Section 2. Authorization of the Project. The Bonds are being issued to provide funds to reimburse the City for previously incurred capital expenditures (designated for reimbursement) and to pay the costs of refurbishing and furnishing a public safety facility for the City and for _____ (the “Projects”).

The City shall provide all equipment, connections and appurtenances together with all work as may be incidental and necessary to complete the Projects.

The City may make such changes in or additions to the Projects or in the construction or design of other facilities of the City as may be found necessary or desirable. Implementation or completion of any specified improvement shall not be required if the Council determines that, due to substantially changed circumstances, it has become advisable or impractical. If the Projects have either been completed, or its completion duly provided for, or their completion found to be impractical, the City may apply the Bond proceeds or any portion thereof to other capital improvements of the City, as the Council in its discretion shall determine. In the event that the proceed of sale of the Bonds, plus any other moneys of the City legally available, are

insufficient to accomplish all of the Projects provided by this section, the City shall use the available funds for paying the cost of those improvements for which the Bonds were approved, deemed by the Council most necessary and to the best interest of the City.

The City shall acquire by purchase, lease or condemnation, all property, both real and personal, or any interest therein, or rights-of-way and easements that may be found necessary to acquire, construct and install the Projects.

Section 3. Authorization of Bonds and Bond Details. For the purpose of paying the costs of the Project and paying costs of issuance, the City shall issue and sell its limited tax general obligation bonds in the aggregate principal amount of not to exceed \$_____ (the “Bonds”). The Bonds shall be issued in one or more series and may be designated 2010A and 2010B as necessary, with additional designations as requested; shall be dated as of their initial date of delivery; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one series or maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification and control; and shall bear interest from their date, payable on June 1, 2011, and semiannually thereafter on the first days of each June and December and shall mature on December 1 in the years and principal amounts set forth and approved in the Approved Bid or Bond Purchase Contract, pursuant to Section 12 of this ordinance. The Bonds of any of the series or maturities may be combined and issued as term bonds (“Term Bonds”), subject to mandatory redemption as provided in the Approved Bid or Bond Purchase Contract.

Section 4. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The City shall cause a bond register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its principal corporate trust office. The Bond Registrar may be removed at any time at the option of the Designated Representative upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Designated Representative. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. 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 Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 13 of this ordinance), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 4(h) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it is paid.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the series and maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date.

Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Designated Representative pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) 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 Designated Representative to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Designated Representative may hereafter 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.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Designated Representative, issue a single new Bond for each series and maturity 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 Designated Representative.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Designated Representative determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as

herein provided, and shall no longer be held in fully-immobilized form. The Designated Representative 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 by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Designated Representative to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.*

The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same series, date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same series, date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding any interest payment or principal payment date any such Bond is to be redeemed.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least 15 days prior to the applicable payment date), such payment shall be made by the Bond Registrar by wire transfer to the account within the continental United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

Section 5. Redemption Prior to Maturity and Purchase of Bonds.

(a) *Mandatory Redemption of Term Bonds, Extraordinary Optional Redemption, Extraordinary Mandatory Redemption and Optional Redemption, if any.* The Bonds may be called for redemption at any time prior to scheduled maturity under terms approved by the Designated Representative in the Official Notice of Sale, Approved Bid or Bond Purchase Contract pursuant to Section 12 of this ordinance, and the manner of selection of Bonds for redemption shall be as set forth in the Official Notice of Sale or Bond Purchase Contract.

(b) *Purchase of Bonds.* The City reserves the right to purchase any of the Bonds offered to it at any time at a price deemed reasonable by the Designated Representative.

(c) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held in uncertificated form, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 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 Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all outstanding Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

On or prior to any redemption date, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(2) Effect of Notice; Bonds Due. If an unconditional notice of redemption has 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 such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the series and maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 25 days before the redemption date to each party entitled to receive notice pursuant to Section 13, and to the Underwriter and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this Section 5, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON

CITY OF KIRKLAND

LIMITED TAX GENERAL OBLIGATION BOND, 2010[A/B] [(TAX-EXEMPT/TAXABLE
BUILD AMERICA BONDS – DIRECT PAYMENT TO ISSUER)]

INTEREST RATE: % MATURITY DATE: CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The City of Kirkland, Washington (the “City”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from _____, 2010, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on December 1, 2010, and semiannually thereafter on the first days of each succeeding June and December. Both principal of 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”) from the City to The Depository Trust Company (“DTC”). Initially, the City has specified and adopted the registration system for the bonds of this issue specified by the State Finance Committee, and the fiscal agency of the State will act as registrar, paying agent and authenticating agent (the “Bond Registrar”).

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 Ordinance No. _____ duly passed by the City Council on November 16, 2010 (the “Bond Ordinance”). Capitalized terms used in this bond have the meanings given such terms in the Bond 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 until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar or its duly designated agent.

This bond is one of an authorized issue of bonds of like date, tenor, rate of interest and date of maturity, except as to number and amount in the aggregate principal amount of \$_____ and is issued pursuant to the Bond Ordinance for providing funds to pay the cost of capital improvements to City facilities and to pay costs of issuance.

The bonds of this issue are subject to redemption as stated in the [Official Notice of Sale and Approved Bid/Bond Purchase Contract].

The City hereby irrevocably covenants and agrees with the owner of this bond that it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to the City without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

[The bonds of this issue have been designated by the City as “qualified tax-exempt obligations” for investment by financial institutions under Section 265(b) of the Code.]

The pledge of tax levies for payment of principal of and interest on the bonds may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

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 and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Kirkland, Washington has caused this bond to be executed by the manual or facsimile signatures of the Mayor and City Clerk and the seal of the City imprinted, impressed or otherwise reproduced hereon as of this ____ day of _____, 2010.

CITY OF KIRKLAND, WASHINGTON

By /s/ manual or facsimile
Mayor

ATTEST:

 /s/ manual or facsimile
City Clerk

[SEAL]

The Bond Registrar’s Certificate of Authentication on the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Bond Ordinance and is one of the Limited Tax General Obligation Bonds, 2010[A/B] [(Tax-Exempt/Taxable Build America Bonds – Direct Payment to Issuer)] of the City of Kirkland, Washington, dated _____, 2010.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____

Section 7. Execution of Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk of the City and the seal of the City shall be impressed, imprinted or otherwise reproduced 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 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are 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 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 may be signed and attested on behalf of the City by such persons who at the date of the actual execution of such Bond, are the 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 8. Application of Bond Proceeds. The City shall establish [or maintain] a fund designated the “_____ Fund” (the “Project Fund”) into which the proceeds of the Bonds (other than accrued interest) shall be deposited. Money on hand in the Project Fund shall be used to pay the costs of the Project and costs of issuance of the Bonds. The Designated Representative may invest money in the Project Fund in legal investments for City funds. Earnings on such investments shall accrue to the benefit of the fund earning such interest. Any part of the proceeds of the Bonds remaining in the Project Fund after all costs of the Project have been paid (including costs of issuance) may be used for any capital purpose of the City or may be transferred to the Bond Fund.

Section 9. Tax Covenants.

(a) *Arbitrage Covenant.* The City hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the City which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be “arbitrage bonds” within the meaning of said section and said Regulations. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and the applicable Regulations thereunder throughout the term of the Bonds.

(b) *Private Person Use Limitation for Bonds.* The City covenants that for as long as the Bonds are outstanding, it will not permit:

- (1) More than 10% of the Net Proceeds of the Bonds to be used for any Private Person Use; and
- (2) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used

for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The City further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this ordinance or any underlying arrangement) directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the project financed or refinanced with Bond proceeds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the projects to which the Private Person Use of such portion of such project relates. The City further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to comply with the requirements of the Code. The covenants of this section are specified solely to assure compliance with the Code.

(c) *Build America Bonds Status.* The City further covenants not to take any action, or knowingly to omit to take any action within its control, that if taken or omitted would cause any bonds so designated to lose their status as Build America Bonds.

(d) *Designation under Section 265(b) of the Code.* The Designated Representative shall be authorized to determine and execute a designation, if applicable, of Bonds under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The City does not anticipate issuing more than \$30,000,000 in qualified tax-exempt obligations during 2010 (excluding obligations permitted by the Code to be excluded for purposes of the City's qualification as a qualified small issuer).

Section 10. Bond Fund and Provision for Tax Levy Payments. The Designated Representative is hereby authorized and directed to create a fund to be used for the payment of debt service on the Bonds, to be designated as the "General Obligation Bond Fund, 2010" (the "Bond Fund"). No later than the date each payment of principal of and/or interest on the Bonds matures or becomes due and payable, the City shall transmit sufficient funds, from the Bond Fund or from other legally available sources to the Bond Registrar for the payment of such principal and/or interest. Money in the Bond Fund not needed to pay the interest or principal next coming due may temporarily be deposited in legal investments for City funds.

The City hereby irrevocably covenants and agrees for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and levy an *ad valorem* tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bonds as the same shall become due.

The City hereby irrevocably pledges that the annual tax provided for herein to be levied for the payment of such principal and interest shall be within and as a part of the tax levy permitted to cities without a vote of the people, and that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

Section 11. Defeasance. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from the Bond Fund or such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

The City shall give written notice of defeasance to the owners of all Bonds so provided for and to each party entitled to receive notice in accordance with Section 13 of this ordinance.

Section 12. Sale of Bonds. The Council has been advised that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Council. The Council has determined that it would be in the best interest of the City to delegate to the Designated Representative for a limited time the authority to approve the manner of sale, number of series, series designation, final interest rates, aggregate principal amount, principal amounts of each maturity of the Bonds and redemption rights. The Designated Representative is hereby authorized to approve the manner of sale, number of series, series designation, final interest rates, aggregate principal amount, principal maturities and redemption rights for the Bonds in the manner provided hereafter so long as (a) the aggregate principal amount of the Bonds does not exceed \$_____ ; and (b) the true interest cost for the Bonds (in the aggregate) does not exceed ____% for Bonds issued as taxable bonds and ____% for Bonds issued as tax-exempt Bonds.

In determining the number of series, series designation, final interest rates, aggregate principal amounts, principal maturities and redemption rights, the Designated Representative, in consultation with City staff and the City's financial advisor, shall take into account those factors that, in her judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Bonds.

Initially, the Designated Representative is hereby authorized to determine whether the Bonds shall be sold by Negotiated Sale or by a Competitive Sale. If the Bonds are sold by Negotiated Sale, the Designated Representative shall select one or more underwriting firms to underwrite the Bonds through a process of soliciting proposals for underwriting. Upon the selection of one or more underwriters, the Designated Representative shall negotiate the terms of

sale for the Bonds, including the terms described in this section, in a contract or contracts of sale (the "Bond Purchase Contract"). If the Bonds are sold by Competitive Sale, sealed bids will be received by the Designated Representative or the Competitive Sale will be undertaken by electronic means, in the manner and on such date and time as the Designated Representative hereafter shall determine. The Designated Representative will approve the bid offering to purchase each series of Bonds at the lowest true interest cost to the City at such price as shall be determined at the time of sale by the Designated Representative, plus accrued interest to the date of delivery, on all the terms and conditions set out in the applicable Official Notice of Sale.

All bids submitted for the purchase of the Bonds shall be as set forth in the applicable Official Notice of Sale or otherwise as established by the Designated Representative which will be furnished upon request made to the Designated Representative. The Designated Representative is authorized to request that a good faith deposit be paid by the purchaser submitting the Approved Bid. The City reserves the right to reject any and all bids and to waive any irregularity or informality in any bid.

Subject to the terms and conditions set forth in this Section 12, the Designated Representative is hereby authorized to accept an Approved Bid for each series in a Competitive Sale and/or execute the final form of a Bond Purchase Contract in a Negotiated Sale, upon her approval of the final interest rates, maturity dates, aggregate principal amounts, principal maturities and redemption rights set forth therein. Following the sale of the Bonds, the Designated Representative shall provide a report to the Council, describing the final terms of the Bonds approved pursuant to the authority delegated in this section.

The Designated Representative is hereby further authorized to evaluate and determine whether the bonds of a series are to be sold as Build America Bonds or governmental bonds, the

interest on which is exempt from federal income taxation. The Designated Representative is further authorized to make an irrevocable designation under section 54AA of the Code of any Bonds that are to be sold as Build America Bonds. The City will take such additional actions as are required to qualify such Bonds as Build America Bonds and maintain such qualification and further to seek reimbursement of the applicable federal subsidy in the future on a timely basis.

The authority granted to the Designated Representative by this Section 12 shall expire 60 days after the date of approval of this ordinance. If a Bond Purchase Contract or Approved Bid for the Bonds has not been executed or accepted within 60 days after the date of final approval of this ordinance, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 12.

Upon the passage and approval of this ordinance, the proper officials of the City including the Designated Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Official Notice of Sale, Approved Bid and/or Bond Purchase Contract.

The Designated Representative is hereby authorized to review and approve on behalf of the City the preliminary and final Official Statements relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them. The Designated Representative

is hereby further authorized to deem final the Preliminary Official Statement for the Bonds for purposes of compliance with the Rule.

Section 13. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the City’s written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board (“MSRB”), the following annual financial information and operating data for the prior fiscal year (commencing in 2011 for the fiscal year ended December 31, 2010):

1. Annual financial statements, which statements may or may not be audited, showing ending fund balances for the City’s general fund prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the official statement for the Bonds under the heading “[Comparative Statement of Revenues, Expenditures and Changes in Fund Balance]”;
2. The assessed valuation of taxable property in the City;
3. Ad valorem taxes due and percentage of taxes collected;
4. Property tax levy rate per \$1,000 of assessed valuation; and
5. Outstanding general obligation debt of the City.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before nine months after the end of the City’s fiscal year. The City’s current fiscal year ends December 31. The

City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-refer to other documents available to the public on the MSRB's internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(c) *Material Events.* The City agrees to provide or cause to be provided, in a timely manner to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not in excess of ten business days after the occurrence of the event:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax-exempt status of the Bonds;

- Modifications to the rights of Bond owners if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution or sale of property securing the repayment of the Bonds if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition of 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 to undertake such an action, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of the trustee, if material.

Solely for purposes of information, but without intending to modify this undertaking, with respect to the notice regarding property securing the repayment of the Bonds, the City will state in its Preliminary and Final Official Statements that there is no property securing the repayment of the Bonds. The City shall promptly determine whether the events described above are material.

(d) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner to the MSRB notice of its failure to provide the

annual financial information described in Subsection (b) above on or prior to the date set forth in Subsection (b) above.

(e) *Emma; Format for Filings with the MSRB.* Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The City's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.

The City may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the City shall describe such amendment in the next annual report, and shall include, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (A) notice of such change shall be given in the same manner as

for a material event under Subsection (c), and (B) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Bond Owner's Remedies Under This Section.* The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the City's obligations under this section, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this section, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

(h) *No Default.* The City is not and has not been in default in the performance of its obligations of any prior undertaking for ongoing disclosure with respect to its obligations.

Section 14. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon his/her filing with the City evidence satisfactory to the City that such Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City and/or the Bond Registrar with indemnity satisfactory to the City and the Bond Registrar.

Section 15. 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 16. Effective Date. This ordinance shall become effective immediately upon its adoption.

ADOPTED by the City Council of the City of Kirkland, Washington, at a regular meeting thereof held this 16th day of November, 2010.

CITY OF KIRKLAND, WASHINGTON

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

CERTIFICATE

I, the undersigned, City Clerk of the City of Kirkland, Washington (the "City") and keeper of the records of the City Council (the "City Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance is a true and correct copy of Ordinance No. _____ of the City Council (the "Ordinance"), duly passed at a regular meeting thereof held on the 16th day of November, 2010.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the City Council voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of the Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of November, 2010.

City Clerk

CITY OF KIRKLAND

Summary of Ordinance No. 4272 passed November 16, 2010

AN ORDINANCE OF THE CITY OF KIRKLAND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS IN ONE OR MORE SERIES OF THE CITY IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$_____ TO PROVIDE FUNDS FOR CAPITAL PROJECTS OF THE CITY, AND PAY FOR COSTS OF ISSUANCE OF THE BONDS; PROVIDING THE FORM AND TERMS OF SAID BONDS; AUTHORIZING A PRELIMINARY OFFICIAL STATEMENT; PROVIDING FOR THE DISPOSITION OF THE PROCEEDS OF SALE; AND DELEGATING AUTHORITY TO APPROVE THE FINAL TERMS OF SAID BONDS.

Section 1 (Definitions) defines certain capitalized terms used in the Ordinance.

Section 2 (Authorization of Project) authorizes the undertaking of the capital projects to be paid from the proceeds of the Bonds.

Section 3 (Authorization of Bonds and Bond Details) authorizes the City's Limited Tax General Obligation Bonds, 2010" in the one or more series in the aggregate amount of not to exceed \$_____ (the "Bonds") to provide funds to pay the costs of capital projects of the City.

Section 4 (Registration, Exchange and Payments) adopts a system of registration and exchange for the Bonds and describes the arrangements for paying principal of and interest on the Bonds.

Section 5 (Redemption Prior to Maturity and Purchase of Bonds) provides information regarding redemption of the Bonds prior to their scheduled maturity.

Section 6 (Form of Bonds) describes the form of the Bonds.

Section 7 (Execution of Bonds) authorizes procedures for execution and authentication of the Bonds.

Section 8 (Application of Bond Proceeds) authorizes the application of the Bond proceeds for capital projects.

Section 9 (Tax Covenants) covenants that the City will not cause interest on the Bonds to become taxable.

Section 10 (Bond Fund and Provision for Tax Levy Payments) provides for the Bond Fund for the payment of debt service on the Bonds and provides for tax levies, if needed, as required to pay such debt service.

Section 11 (Defeasance) provides conditions under which the Bonds may be defeased.

Section 12 (Sale of Bonds) authorizes the sale of the Bonds pursuant to the purchase offer or approved bid to be approved by the Designated Representative and authorizes the approval of the final and preliminary Official Statement.

Section 13 (Undertaking to Provide Ongoing Disclosure) provides an undertaking for disclosure as required by the Securities and Exchange Commission.

Section 14 (Lost, Stolen or Destroyed Bonds) makes provision in case Bonds are lost, stolen or destroyed.

Section 15 (Severability) provides that other covenants and agreements in the ordinance are not affected if one is made invalid.

Section 16 (Effective Date) provides that the ordinance shall become effective immediately upon adoption.

The full text of Ordinance No. 4272 will be mailed without cost to any party requesting it from:

Ms. Kathi Anderson
City Clerk
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033-6189
Phone: 425-587-3197
Fax: 425-587-3198