

INTERLOCAL AGREEMENT BETWEEN
THE CITY OF KIRKLAND
AND
KING COUNTY FIRE PROTECTION DISTRICT NO. 41
REGARDING THE ANNEXATION OF DISTRICT TERRITORY BY THE CITY

Pursuant to the Interlocal Cooperation Act, Chapter 39.34 of the Revised Code of Washington, the **City of Kirkland** ("City") and **King County Fire Protection District No. 41** ("District") do hereby enter into this Interlocal Agreement ("Agreement").

WHEREAS, the City has annexed the territory served by the District as described in the attached Exhibit "A" ("Annexation Area"), which will remove all of the territory served by the District from its jurisdiction by operation of law as of June 1, 2011; and

WHEREAS, RCW 35A.14.500 provides that "[w]hen any portion of a fire protection district is annexed by or incorporated into a code city, any outstanding indebtedness, bonded or otherwise, shall remain an obligation of the taxable property annexed or incorporated as if the annexation or incorporation had not occurred;" and

WHEREAS, RCW 35A.14.801(5) provides that "[i]f a code city annexes property within a fire district or library district while any general obligation bond secured by the taxing authority of the district is outstanding, the bonded indebtedness of the fire district or library district remains an obligation of the taxable property annexed as if the annexation had not occurred;" and

WHEREAS, as a result, the parties have determined certain matters need to be addressed and memorialized as authorized by Chapter 39.34 of the Revised Code of Washington;

NOW THEREFORE, in consideration of their mutual promises herein, the parties hereby agree as follows:

1. Purpose. The purpose of the Agreement is to provide for the financing and completion of certain projects and programs the District has undertaken, or with respect to which the District has engaged in substantial planning (collectively, the "Projects"), including the construction of a new fire station in the Finn Hill area of the District to replace Stations 24 and 25 which currently serve that area (the "Fire Station Consolidation Project"). This Agreement is entered into in anticipation that on June 1, 2011 ("Annexation Effective Date"), the entire territory of the District will be annexed into the City ("Annexation").

2. Projects And Programs To Be Completed. The District has undertaken or engaged in substantial planning for the following Projects which will not be completed prior to, or will continue after, the Annexation Effective Date.

a. Reserve Program Stipends. Due to budget constraints, the City eliminated stipends to volunteer firefighters in the City's reserve firefighter program from the operating budget of the joint fire and emergency medical services operated by the City and the District pursuant to their joint operating agreement. The District committed that in 2010 and 2011 it would contribute up to \$60,000 per year to continue payment of the stipends to volunteer firefighters to assure continuance of the reserve program, which staffs Station 24 within the District.

b. Fire Station Consolidation Project. Since the passage of voter-approved initiatives has reduced revenues to the City and the District, the District has undertaken planning for a new fire station in the Annexation Area, which would provide operational savings by replacing Stations 24 and 25, while providing acceptable response times to a larger portion of the District. The new station could be staffed by crews from Station 25 alone. The District developed plans for the fire station to be located on land to the west of the Finn Hill Junior High School buildings, which would be leased from Lake Washington School District ("Junior High Site"). When permit requirements unique to King County unduly increased the cost of a fire station at the Junior High Site, the District explored the feasibility of locating the fire station site on land within King County's Big Finn Hill Park at the southwest corner of Juanita Drive and Northeast 138th Place ("Park Site"). The District has determined that the fire station is technically feasible at the Park Site and has engaged in negotiations for an interlocal agreement with King County for the transfer of the Park Site in exchange for constructing and maintaining a parking lot on the Park Site to serve the park users. The District has developed a preliminary site plan and undertaken a community communication effort. The District has also updated cost estimates for a station at the Junior High Site to consider its permitting under the City's codes and current construction costs and explored locating a third site which is occupied by existing homes.

3. Issuance of Bond to Finance the Fire Station Consolidation Project. Prior to the Annexation Effective Date, the District will issue its \$4,000,000 Limited Tax General Obligation Bond, 2011 (the "Bond") to provide funding for the District's Fire Station Consolidation Project. The Bond shall be sold to Capital One Public Funding, LLC of Melville, New York (the "Bank"). The proceeds of the sale of the Bond ("Bond Proceeds") shall be deposited into a fund or account designated the "Fire Station Consolidation Project Account" within the District's expense fund and shall be invested in the King County Investment Pool, pending their transfer to the City for expenditure in accordance with this Agreement. Interest earned on Bond Proceeds shall be used only for the purposes that the Bond Proceeds may be used. As of the date hereof and as of the Annexation Effective Date, the District warrants and represents that, except for the Bond, it has no other outstanding indebtedness, bonded or otherwise.

to: 4. Continuation of Projects and Programs. After Annexation, the City agrees

a. Fire Station Consolidation Project. Take all steps necessary to complete the Fire Station Consolidation Project, including but not limited to, making the final site selection for a new fire station, acquiring or leasing land, designing the fire station and related improvements, obtaining necessary permits, constructing the station and all related improvements, commissioning the station and decommissioning and selling Stations 24 and 25, all in accordance with Exhibit B.

b. Reserve Program Stipends. Continue providing stipends to reserve firefighters through calendar year 2011.

5. Additional Commitments of the City and District.

a. The City will maintain the administrative employee provided in the 2011 Joint Operating Budget, which has been filled by Tracy Fitzgerald, through the end of calendar year 2011. The City will create a posting of an employment opportunity, consistent with current city policies and union agreement. Provided she emerges as the successful candidate, she will continue her employment as an employee of the City at a monthly salary equivalent to an existing City classification that pays no less than her current monthly salary until the earlier of December 31, 2011 or her employment is terminated by her resignation, acceptance of a different position within the City or termination by the City for cause.

b. The City will undertake and complete a Strategic and Master Plan for the Kirkland Fire Department.

6. Transfer and Use of District Assets and District Property.

a. Transfer of District Real and Personal Property. On the Annexation Effective Date, the District will convey all District real and personal property to the City by warranty deed and bills of sale, respectively, including but not limited to the three fire stations ("District Property").

b. Transfer of Cash, Investments, Tax Receivables and other District Financial Assets. On the Annexation Effective Date, the District will transfer its cash and investments held in the District's expense fund, and any other cash assets accrued through that date, including all Bond Proceeds, Tax Receivables (as defined in paragraph 6.c(3), below), and interest earnings (collectively, "District Financial Assets") to the City and shall take any and all actions necessary or convenient for the City to be able to take possession of this property.

c. Application of District Financial Assets. The City shall apply the District Financial Assets in the following order to the following purposes:

(1) District Financial Assets other than Tax Receivables and Bond Proceeds. The City shall apply amounts other than Tax Receivables and Bond Proceeds to the following purposes without regard to priority among these purposes:

(A) Payment of stipends for reserve firefighters up to a total of \$60,000 in 2011, less amounts paid by the District before the Annexation Effective Date;

(B) Payment toward the cost of the Strategic and Master Plan in an amount not to exceed \$70,000; and

(C) Payment of salary, benefits, and payroll taxes for Tracy Fitzgerald, so long as she remains in the administrative position within the Fire Department, provided that such payments shall not continue beyond December 31, 2011.

(D) Any other obligations of the District.

(E) Any funds remaining after payment of expenses as provided in Subsections (A) through (D) above shall be applied to payment of the District's debt and costs of the Fire Station Consolidation Project.

(2) Fire Station Consolidation Project Costs. The City shall apply all Bond Proceeds and the District Financial Assets remaining after the payments under subparagraph (1)(E), above, to the costs of the Fire Station Consolidation Project, including but not limited to, the cost of site selection, planning, land acquisition, construction drawings, permit, inspections, site clearing and preparation, and cost of construction, and as otherwise set forth in Exhibit B. Bond Proceeds remaining after all costs of the Fire Station Consolidation Project have been paid shall be used only for capital purposes for fire stations located within the boundaries of the District, including the purchase of fire and emergency medical aid equipment.

(3) Tax Receivables and other amounts other than Bond Proceeds. The City shall be entitled to all receivables and future receipts from *ad valorem* property taxes levied and collected by or on behalf of the District (collectively, "Tax Receivables") within the boundaries of the District as those boundaries exist immediately prior to the Annexation Effective Date (the "District Boundaries"), subject to the requirement that Tax

Receivables shall be applied solely as set forth in this Agreement. All Tax Receivables shall be applied first to the timely payment of all amounts due and payable with respect to the Bond. As to the amounts collected in 2011 for budgeted operating costs, those amounts shall be applied to operating costs only after provision has been made for timely payment of debt service on the Bond. Excess Tax Receivables must be used to pay or prepay the Bond, including principal, interest and any prepayment penalty and other costs of such prepayment, at such times (in conjunction with other payments or prepayments) as are deemed appropriate by the City Finance Director. After the Bond is fully defeased or retired, Tax Receivables and any other amounts remaining after the purposes in subsection (1) are satisfied, shall be applied to the purchase of fire and emergency medical aid equipment for fire stations located within the District Boundaries, or for fire and emergency medical services provided within the District Boundaries.

d. Use and Disposition of District Property. After completion of the new station constructed pursuant to the Fire Station Consolidation Project, (except as provided in this paragraph) the City shall sell Stations 24 and 25 and use the net proceeds from those sales to prepay principal of and interest on the District's Fire Station Consolidation Project debt within the terms of the debt conditions and as further set forth in Exhibit B. Notwithstanding the foregoing, the City may elect to retain ownership of fire station 24 or 25, rather than selling either or both, only if the City has the fair market value of the property determined by an MAI certified appraiser and uses other funds of the City to apply to the District's debt service in an amount equal to the fair market value of the station it retains, less estimated costs of sale. In the event that the proceeds of a sale or transfer from the City as described in this paragraph exceed the amount necessary to repay the then outstanding indebtedness for the Fire Station Consolidation Project, then the City agrees to use such sale proceeds or excess funds for the purchase of fire and emergency medical aid equipment for fire stations located within the District Boundaries or for additional fire and emergency medical services provided to residents within the District Boundaries.

7. District Tax Levy. The City shall cooperate with the County Treasurer, as *ex officio* Treasurer of the District and other appropriate County officials to take all such actions as may be necessary or desirable to ensure that the regular property tax levy necessary for repayment of the District's outstanding indebtedness in accordance with RCW 35A.14.500 and 35A.14.801(5) is levied and collected within the District Boundaries until such debt is retired, all as further set forth in Exhibit B. As promptly as possible, the City shall file a copy of this Agreement with the office of the County Treasurer and the County Assessor and shall use its best efforts to obtain within 90 days after the date of issuance and sale of the Bond (or as soon as practicable thereafter) written acceptance or acknowledgement from each office as to its duties as

a consequence of this Agreement. Failure to obtain the written acknowledgement of the County as set forth above shall in no way affect the validity of this Agreement.

8. Abandonment of Fire Station Consolidation Project. If the City determines the Fire Station Consolidation Project is not feasible or necessary, the City may abandon the project. In such event, it shall use all remaining Bond Proceeds and other District Financial Assets, as necessary, to retire the District's outstanding debt as soon as is practicable. The City shall use Bond Proceeds and any other District Financial Assets remaining after retirement of the debt to upgrade one or more stations within the District Boundaries or, if such upgrades are not needed, then to purchase fire and emergency medical aid equipment for such stations or provide other capital improvements within the District Boundaries.

9. Term. The term of this Agreement shall be from the date signed by both parties, and continue until all obligations have been met.

10. Compliance with Laws. The Parties shall comply with all applicable rules and regulations pertaining to them in connection with the matters covered herein. However, to the extent allowed by law, the Parties agree the provisions of this Agreement shall supersede such provisions.

11. Assignment. The Parties shall not assign this Agreement or any interest, obligation or duty therein without the express written consent of the other Parties.

12. Notices. All notices given prior to the Annexation Effective Date may be hand delivered or mailed. If mailed, they shall be sent to the following respective addresses:

To the City:

City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033
Attn: Kurt Triplett

To the District:

Ken Davidson, District Secretary
520 Kirkland Way
Suite 400
Kirkland, WA 98034

or to such other respective addresses as the Parties hereafter from time to time designate in writing. All notices and payments mailed by regular post (including first class) shall be deemed to have been given on the third business day following the date of mailing, if properly mailed and addressed. Notices and payments sent by certified or registered mail shall be deemed to have been given on the day next following the date of mailing, if properly mailed and addressed. For all types of mail, the postmark affixed by the United States Postal Service shall be conclusive evidence of the date of mailing.

13. Miscellaneous.

a. All of the terms in this Agreement shall extend to and bind the legal successors and assigns of the Parties.

b. This Agreement is made and shall be construed in accordance with the laws of the State of Washington. Jurisdiction and venue for any action arising out of this Agreement shall be in King County, Washington.

c. No separate legal entity is hereby created.

d. Except as expressly provided herein, nothing in this Agreement shall be construed to permit anyone other than the Parties and their successors and assigns to rely upon the terms herein contained nor to give any such third party a cause of action on account of any nonperformance hereunder. As an express exception to the foregoing, the Bank is recognized as a third party beneficiary of this Agreement and may enforce any right, remedy or claim conferred, given or granted to the extent necessary to recover any and all amounts due and owing to it with respect to the Bond.

e. No joint oversight and administration board is created hereby.

f. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held to be invalid or unenforceable by a final decision of any court having jurisdiction on the matter, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect, unless either party determines that such invalidity or unenforceability materially interferes with or defeats the purposes hereof, at which time the Parties shall substitute a provision that most closely approximates that which was invalidated without being invalid itself.

g. This Agreement constitutes the final and completely integrated agreement between the Parties on its subject matter.

h. No modifications or amendments of this Agreement shall be valid or effective unless evidenced by an agreement in writing signed by all Parties.

i. Copies of this Agreement shall be filed with the King County Auditor's Office by the City.

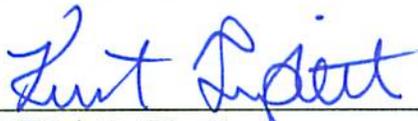
j. Each party has had the opportunity to consult with counsel in connection with this Agreement. Each of the provisions of this Agreement represents the combined work product of all Parties. Therefore, no presumption or other rules of construction which would interpret the provisions of this

Agreement in favor of or against the party preparing the same will apply in connection with the construction or interpretation of any of the provisions of this Agreement.

k. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

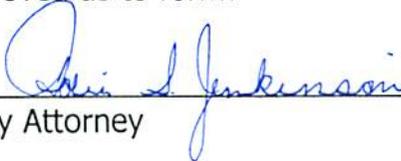
IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the dates set forth below.

CITY OF KIRKLAND

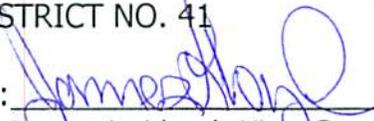
By: 
Kurt Triplett, City Manager

Date signed: May 24, 2011

Approved as to form:


City Attorney

KING COUNTY FIRE PROTECTION
DISTRICT NO. 41

By: 
James L. Lloyd, King County Fire
Protection District No. 41 Commission

Date signed: May 24, 2011

Approved as to form:

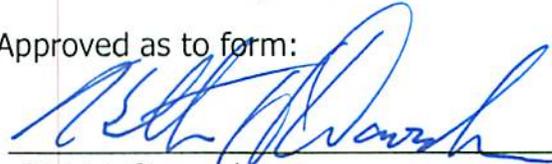

District Counsel

Exhibit A

Description of Annexation Area Boundaries for Juanita-Finn Hill-Kingsgate Annexation and Wild Glen Annexation Areas:

Legal Description

BOUNDARIES OF THE JUANITA-FINN HILL-KINGSGATE ANNEXATION AREA

The legal description of the boundaries of the Juanita-Finn-Hill-Kingsgate Annexation Area,

That portion of Sections 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30 and 31 Township 26 North, Range 5 East W.M. and Sections 13, 23, 24, 25, 26 and 36 Township 26 North, Range 4 East W.M. in King County, Washington described as follows:

Beginning at North Quarter Corner of Section 28, Township 26 North, Range 5 East, W.M.;

Thence west along the north line of the Northwest Quarter of said Section 28 (said north line being the north limits of the City of Kirkland as established by City of Kirkland Ordinance No. 2252 and the centerline of NE 132nd Street) to the corner common to Sections 28 and 29, Township 26 North, Range 5 East, W.M.;

Thence west along the north line of the Northeast Quarter of said Section 29 (said north line being the north limits of the City of Kirkland as established by City of Kirkland Ordinance No. 2252 and the centerline of NE 132nd Street) to the centerline of 116th Avenue NE right of way;

Thence southerly along the centerline of 116th Avenue NE right of way to the easterly extension of the south margin of the NE 132nd Street right of way;

Thence westerly along said south margin and the south margin of the NE 131st Way right of way (said south margins being the north limits of the City of Kirkland as established by City of Kirkland Ordinance No. 3062) to the west line of east half of Section 30, Township 26 North, Range 5 East, W.M.;

Thence south along said west line (said west line being the west limits of the City of Kirkland as established by City of Kirkland Ordinance No. 3062) to the north line of the southeast quarter of the northwest quarter of said Section 30;

Thence west along said north line (said north line being the north boundary of a tract of land annexed to the City of Kirkland under City of Kirkland Ordinance No. 4048) to the west line of east 275 feet of said southeast quarter of the northwest quarter;

Thence south along said west line (said west line being the west boundary of a tract of land annexed to the City of Kirkland under City of Kirkland Ordinance No. 4048) to south line of said southeast quarter of the northwest quarter;

Thence along said south line to the east margin and/or the northerly extension of the east margin of 91st Avenue NE (said east margin being the west boundary of a tract of land annexed to the City of Kirkland under City of Kirkland Ordinance Number 3121);

Thence south along said east margin and/or its northerly extension (said east margin being the west boundary of a tract of land annexed to the City of Kirkland under City of Kirkland Ordinance Number 3121) to the south margin of NE 120th Street;

Thence east along the south margin of NE 120th Street and/or its easterly extension to the west limits of the City of Kirkland as established by King County Ordinance No. 15471;

Thence south along said west limits to the southerly margin of Juanita Drive NE right of way;

Thence along said southerly margin to the west line of Juanita Bay Condominiums (said line being the west limits of the City of Kirkland as established by City of Kirkland Ordinance No. 3062);

Thence southerly and southeasterly along the said west line and its southerly extension (said line being the west limits of the City of Kirkland as established by City of Kirkland Ordinance No. 3062) to the outer limits of the second class shorelands of Lake Washington;

Thence leaving said city limits, southwesterly and northwesterly along said outer limits to North line of King County Short Plat Number 985037 (Alteration), recorded under Recording Number 911180963, records of King County, Washington and the limits of the City of Kenmore as established by King County Ordinance No. 12815;

Thence along said limits of the City of Kenmore the following courses:

Thence easterly along the North line of said King County Short Plat and the North line of Lot 2, King County Short Plat Number 273020, recorded under Recording Number 7601230425 records of King County, Washington to the west margin of 62nd Avenue Northeast;

Thence southerly along said margin to the north line of the Southeast Quarter of Section 23, Township 26 North, Range 4 East, W.M.;

Thence easterly along said north line to the east margin of 62nd Avenue Northeast;

Thence southerly along the east margin of 62nd Avenue Northeast to the point of intersection with the north line of King County Short Plat Number 376072, recorded under Recording Number 7607290790, records of King County, Washington;

Thence easterly along the north line of said King County Short Plat and the north line of King County Short Plat Number 682031, recorded under Recording Number 8404240701 and King County Short Plat Number S89S0226, recorded under Recording Number 8908311935. all in records of King County, Washington, to the westerly margin of Holmes Point Drive Northeast;

Thence northerly and easterly along said margin to the westerly margin of Juanita Drive Northeast;

Thence northerly along the westerly margin of said Juanita Drive Northeast to the point of intersection with the westerly extension of the north margin of Northeast 143rd Street;

Thence easterly along said extended line and the north margin at Northeast 143rd Street and the north margin of Northeast 145th Street to the intersection with the Westerly margin of 92nd Avenue Northeast;

Thence northerly along said margin to the intersection with the northeasterly margin of Simonds Road Northeast, said margin also being the limits of the City of Bothell as established by City of Bothell Ordinances 225, 227 and 960;

Thence southeasterly along the southerly limits of the City of Bothell and the northeasterly margin of Simonds Road Northeast to the west margin of 100th Avenue NE;

Thence north along said west margin to the north line of Section 19, Township 26 North, Range 5 East, W.M. and the south limits of the City of Bothell as established by City of Bothell Ordinance Number 225;

Thence east along said north line and the south limits of the City of Bothell to the Northeast Corner of said Section 19;

Thence east along the north line of Section 20, Township 26 North, Range 5 East, W.M. and the south limits of the City of Bothell as established by City of Bothell Ordinance Number 1220 to the southerly prolongation of the east margin of 100th Avenue NE and the easterly limits of the City of Bothell as established by City of Bothell Ordinance Number 1220;

Thence north along said southerly prolongation and easterly limits of Bothell to the north margin of NE 145th Street;

Thence leaving said city limits, east along said north margin to the southerly prolongation of the west line of the plat of Norway View according to the plat thereof recorded in Volume 125 of Plats at Pages 77 and 78, records of King County, Washington:

Thence north along said southerly prolongation to the north margin of NE 145th Street;

Thence east along said north margin and its easterly extension to the southeasterly margin of Juanita-Woodinville Way NE;

Thence southerly along said southeasterly margin to the north margin of NE 145th Street;

Thence east along said north margin to the east line of the plat of Windsor Vista No. 1 according to the plat thereof recorded in Volume 81 of Plats, at pages 70 and 71, records of King County, Washington;

Thence southerly along the southerly prolongation of said east line to the south line of Section 17, Township 26 North, Range 5 East, W.M.;

Thence east along said south line to the easterly margin of Primary State Highway No. 1 (SR-405) as depicted on the Record of Survey recording in Book 182 of Surveys, at Pages 251 through 259, records of King County, Washington;

Thence north along said easterly margin to the south line of a tract land conveyed to King County by the State of Washington by instrument recorded under 8603110513, records of King County, Washington;

Thence east along the south line of said tract to the east line of said tract;

Thence north along the east line of said tract to the southwesterly margin of the City of Seattle Tolt River Pipeline Right of Way;

Thence southeasterly along southwesterly margin to the west margin of NE 124th Avenue NE and west limits of the City of Woodinville as established by King County Ordinance No. 10306;

Thence along said limits of the City of Woodinville the following courses:

Thence south along said west margin to the intersection of the westerly extension of the south boundary of Kingsgate Highlands, Division No. 5, recorded in Volume 88 of Plats, Pages 1 to 5, Records of King County, Washington;

Thence east along said westerly extension and said south boundary to the southeast corner of said plat of Kingsgate Highlands Division 5;

Thence north along the east boundary thereof to the southwest corner of the plat of Kingsgate Vista, recorded in Volume 107 of Plats, pages 52 and 53, records of King County, Washington;

Thence east along the south boundary of said plat of Kingsgate Vista and its easterly projection to the West margin of 132nd Ave NE;

Thence southerly along said west margin of 132nd Avenue NE to the westerly extension of the south margin of NE 143rd street;

Thence easterly along said westerly extension and south margin thereof to the west line of the Puget Sound Power and Light Co. transmission line easement as located in the NW 1/4 of the NW 1/4 of Section 22, Township 26 North, Range 5 East W.M.;

Thence south along said west line to the south line of the NW 1/4 of Section 22, Township 26, North Range 5 East W.M.;

Thence easterly along said south line to the NW corner of the NE 1/4 of the NE 1/4 of the SW 1/4 of said Section 22;

Thence south to the SW corner of the NE 1/4 of the NE 1/4 of the SW 1/4 of said Section 22;

Thence east along the south line thereof to the North-South centerline of Section 22;

Thence north along said North-South centerline to the center of said Section 22;

Thence west along the East-West centerline thereof 310 feet, more or less, to the SW corner of Tax Lot No. 108 in the SE ¼ of the NW ¼ of said Section 22;

Thence N 7° 10' 00" W along the west line of said Tax Lot 108, 380 feet, more or less, to the NW corner thereof;

Thence N 77°15'00" E along the northerly line of said Tax Lot 108 to the westerly margin of the Burlington Northern Railway right-of-way (also known as Northern Pacific Belt Line);

Thence southerly along said westerly margin to the south line of the NE ¼ of said Section 22;

Thence east along the south line of the NE ¼ of said Section 22 to the easterly margin of the Burlington Northern Railway right-of-way, (also known as Northern Pacific, Snoqualmie Branch) and an angle point in the limits of the City of Woodinville;

Thence leaving said limits of the City of Woodinville and continuing along the south line of NE ¼ of said Section 22 to the easterly margin of the Burlington Northern Railway right-of-way, (also known as Northern Pacific, Snoqualmie Branch)

Thence south along said easterly margin to the south margin of NE 124th Street;

Thence westerly to the northeast corner of a tract of land annexed to the City of Redmond by City of Redmond Ordinance Number 1030;

Thence west along the north line of the tracts of land annexed to the City of Redmond by City of Redmond Ordinance Numbers 1030 and 966 to the west line of the east ¾ of the Northwest ¼ of the Southwest ¼ of Section 27, Township 26 North, Range 5 East, W.M.

Thence south along said west line and the west line of a tract of land annexed to the City of Redmond by City of Redmond Ordinance Number 966 to the south line of the said Northwest ¼ and the north line of a tract of land annexed to the City of Redmond by City of Redmond Ordinance Number 778;

Thence west along said south line and said limits of the City of Redmond to the easterly margin of Seattle Water Department Eastside Supply Line right-of-way and the limits of the City of Kirkland as established by City of Kirkland Ordinance Number 3063:

Thence north along said easterly margin and said limits of the City of Kirkland to the south margin of NE 124th Street:

Thence westerly along said right of way and said limits of the City of Kirkland to the northerly tangent point of the southerly margin of said right-of-way with the westerly margin of the Slater Avenue NE right of way;

Thence northwesterly perpendicular to the centerline of NE 124th Street right-of-way to the southerly line of a tract of land annexed to the City of Kirkland by City of Kirkland Ordinance No. 2545:

Thence northeasterly along said southerly line to the southeast corner of said tract of land;

Thence northerly along east line of said tract of land to the northeast corner thereof;

Thence west along said north line of said tract of land to the west line of the northeast quarter of the northeast quarter of Section 28, Township 26 North, Range 5, W.M. and the limits of the City of Kirkland as established by City of Kirkland Ordinance Number 2252;

Thence north along said west line and said limits of the City of Kirkland to the north line of said Section 28:

Thence west along said north line (said north line being the north limits of the City of Kirkland as established by City of Kirkland Ordinance No. 2252 and the centerline of NE 132nd Street) to the Point of Beginning.

BOUNDARIES OF THE WILD GLEN ANNEXATION AREA

Legal Description

That portion of Section 19, Township 26 North, Range 5 East W.M. in King County, Washington described as follows:

Beginning at the northwest corner of the Northeast Quarter of the Northeast Quarter of said Section 19; Thence east along the north lien of said Section 19 and the south limits of the City of Bothell as established by City of Bothell Ordinance Number 225 to the west margin of 100th Avenue NE; Thence south along the west margin of 100th Avenue NE to the northerly margin of Simonds Road Northeast; Thence northwesterly along the northerly margin of Simonds Road Northeast to the west line of said Northeast Quarter of the Northeast Quarter of Section 19 and the limits of the City of Bothell as established by City of Bothell Ordinance Number 960; Thence north along said west line to the Point of Beginning.

Exhibit B

Procedures Relating to the Bonded Indebtedness of the District

Capitalized terms not defined in this Exhibit B have the meanings given in the Interlocal Agreement and in Resolution No. 237 of the District (the "Authorizing Resolution").

1. Issuance of Bond; Terms

a. On or before May 31, 2011, the District shall issue, sell and deliver the Bond to the Bank under substantially the terms set forth in the offer letter dated May 4, 2011.

2. Collection of Taxes; Repayment of Bond

a. From and after the Annexation Date, City Council, acting on behalf of the District, shall consult with the County Treasurer, as *ex officio* Treasurer of the District and shall certify to the County Assessor, the amount necessary, in accordance with RCW 35A.14.500 and 35A.14.801(5), to make timely payments of the principal of, interest on, and redemption premium (if any) with respect to the Bond, coming due and payable in the next calendar year, including a reasonable allowance for delinquencies and nonpayments ("Annual Debt Service Requirements"). The Annual Debt Service Requirements shall establish the regular levy amount required for that calendar year.

b. Upon receipt of certification of the Annual Debt Service Requirements, the County Assessor shall spread the levy on the rolls of the taxable property within the District as the District's boundaries existed on the date of issuance of the Bond.

c. The County Treasurer shall act as Bond Registrar and Paying Agent and shall collect all taxes levied and apply such receipts to the timely payment of the Annual Debt Service Requirements to the Bank.

d. From time to time (e.g., upon the sale of Fire Station 24 or 25), the City may transfer additional amounts to the County Treasurer, which amounts shall be applied to the prepayment of principal of, interest on, or redemption premium with respect to the Bond. Upon any prepayment of principal of the Bond, the Annual Debt Service Requirements shall be recalculated, in accordance with the terms of the Bond and the Authorizing Resolution.

3. Deposit and Use of Bond Proceeds

a. Upon issuance of the Bond, proceeds of the sale of the Bond shall be applied to pay the costs of issuance and all remaining proceeds shall be deposited with the County and transferred to the City on the Annexation Effective Date.

b. The City Finance Director shall direct the timing and amounts of all expenditure of bond proceeds to pay the costs of the Fire Station Consolidation Project and as otherwise set forth in the Interlocal Agreement.

c. Interest earned on proceeds invested pending their expenditure shall be used to pay costs of the Fire Station Consolidation Project, to pay debt service on the Bond or, if necessary, to make any required arbitrage rebate or yield reduction payments to the United States Treasury with respect to the Bond.

d. The City Finance Director shall, with the cooperation of the County Treasurer, ensure that any arbitrage rebate calculations that may be required (if any) under applicable provisions of the Internal Revenue Code and related regulations are completed in a timely fashion and that any amounts owing on account of rebate payments or yield reduction payments are paid out of bond proceeds or interest earnings thereon. From and after the Annexation Effective Date, the City shall assume the obligations of the District with respect to monitoring compliance with the expectations set forth in and the provisions of the Internal Revenue Code described in the Tax Exemption and Non-Arbitrage Certificate executed in connection with the issuance of the Bond.

4. Prepayment of Bond. Whenever the City realizes proceeds from the sale of Fire Stations 24 or 25, the City shall apply those net proceeds, or cause the same to be applied, to prepayment of the Bond, including principal, interest, and any prepayment or redemption premium with respect thereto.

5. Reporting to City and the Bank. The County Treasurer shall provide to the City Finance Director and the Bank monthly financial reports and, within 60 days of the end of the calendar year, an annual financial report of District, and such other financial information as the City or the Bank may reasonably request.

ACKNOWLEDGED AND ACCEPTED BY:

King County Assessor's Office

Date

King County Treasurer's Office

Date