

CITY OF BLAINE
REQUEST FOR COUNCIL ACTION
MEETING DATE: December 10, 2007

SUBJECT: Ordinance 07-2690, Authorizing the issuance and sale of \$6,045,000 in limited tax general obligation (LTGO) and refunding bonds

SUBMITTING DEPT: Finance Department

PREPARED BY: Meredith Riley, Finance Director

AGENDA LOCATION: Comments / Communications ☐, Consent ☐,
Public Meeting (Hearing) ☐, Unfinished Business ☐, Council Action Item ☒,
Committee Reports ☐

ATTACHMENTS: Ordinance 07-2690; Preliminary Official Statement was placed in Council boxes.

ANALYSIS / SUMMARY: This Ordinance provides for the issuance and sale of LTGO bonds to fund \$4,420,000 in Street improvements along with \$495,000 in Stormwater improvements. It also authorizes the Refunding of \$290,000 LTGO 1994A bonds and \$815,000 LTGO 1996 WW Bonds for an approximate savings of \$96,000. The interest rates on these older bonds change from over 6% to around 4%.

RECOMMENDATION: ☒ Waive 2nd Reading: (Including conditions of approval if applicable)

FISCAL ANALYSIS: The Street portion of the 2007 LTGO Bonds is funded by property taxes, and the Stormwater portion is funded by Stormwater revenue. This bond is for 10 years. The Refunded LTGO 1994A bonds (Annex Remodel) are funded by REET I, and the Refunded LTGO 1996 bonds are funded by the Wastewater Fund. The Refunded portion is for 8 years.

REVIEWED BY:

City Manager _____ Finance Director _____ City Clerk _____

COUNCIL ACTION: Approved ☐, Denied ☐, Tabled / Deferred ☐,
Assigned to: _____

DATE OF NEXT COUNCIL ACTION: _____

CITY OF BLAINE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2007
\$[6,045,000]

ORDINANCE NO. 07-0690

AN ORDINANCE of the City of Blaine, Washington, providing for the issuance and sale of limited tax general obligation and refunding bonds of the City in the principal sum of \$[6,045,000] for the purpose of providing funds to finance street and storm water improvements and to refund certain outstanding general obligations of the City, authorizing a preliminary official statement, and providing the form and terms of the bonds.

Passed: December 10, 2007

Prepared By

K&L PRESTON GATES ELLIS LLP
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ORDINANCE NO. 07-0690

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* This Table of Contents is provided for reference only and does not constitute a part of the Ordinance for which it is provided.

ORDINANCE NO. 07-0690

AN ORDINANCE of the City of Blaine, Washington, providing for the issuance and sale of limited tax general obligation and refunding bonds of the City in the principal sum of \$[6,045,000] for the purpose of providing funds to finance street and storm water improvements and to refund certain outstanding general obligations of the City, authorizing a preliminary official statement, and providing the form and terms of the bonds.

WHEREAS, the City of Blaine, Washington (the “City”) has outstanding its Limited Tax General Obligation Bonds, 1994A (the “1994A Bonds”), issued in the original principal amount of \$600,000 under date of September 1, 1994, pursuant to Ordinance No. 94-2163 of the City passed on August 22, 1994; and

WHEREAS, Ordinance No. 94-2163 provides that the City may redeem the outstanding 1994A Bonds (the “1994A Refunded Bonds”) in whole or in part, on any date at a price of par plus accrued interest, if any, to the date of redemption; and

WHEREAS, the City has outstanding certain of its Limited Tax General Obligation Bonds, 1996 (the “1996 Bonds”), issued in the original principal amount of \$1,500,000 under date of June 1, 1996, pursuant to Ordinance No. 96-2262 of the City passed on May 13, 1996; and

WHEREAS, Ordinance No. 96-2262 provides that the City may redeem the outstanding 1996 Bonds (the “1996 Refunded Bonds”) in whole or in part, on any date at a price of par plus accrued interest, if any, to the date of redemption; and

WHEREAS, as a result of changed market conditions, it appears to the City Council that debt service savings may be obtained by refunding the 1994A Refunded Bonds and the 1996

Refunded Bonds (collectively, the “Refunded Bonds”) through the issuance of a series of limited tax general obligation refunding bonds; and

WHEREAS, the City Council has determined that it is in the best interest of the City to construct certain street and storm water improvements within the City and other capital projects as may be approved by the City Council (the “Project”); and

WHEREAS, it appears to the City Council that it is in the best interest of the City that it authorize the issuance of limited tax general obligation refunding bonds in the principal amount of \$_____ to effect such savings and authorize the issuance of limited tax levy general obligation bonds in the principal amount of \$_____ to finance the Project; and

WHEREAS, the Bonds may be issued and sold in a single series of bonds, and the City has received the offer of D.A. Davidson & Co. to purchase such limited tax general obligation and refunding bonds (the “Bonds”), and it is in the best interest of the City to accept such offer on the terms set forth therein and in this ordinance;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLAINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

SECTION 1. Definitions. As used in this ordinance, the following words shall have the following meanings, unless a different meaning clearly appears from the context:

“Bond Fund” means the “City of Blaine Limited Tax General Obligation Bond Redemption Fund, 2007,” authorized to be created by Section 6 of this ordinance.

“Bond Insurance Policy” means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

“Bond Register” means the registration records for the Bonds maintained by the Bond Registrar.

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

“Bonds” means the \$[6,045,000] principal amount of the City of Blaine, Washington, Limited Tax General Obligation Bonds, 2007, issued pursuant to this ordinance.

“City” means the City of Blaine, Washington, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

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

“Commission” means the Securities and Exchange Commission.

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

“DTC” means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

“Escrow Agent” means U.S. Bank National Association, Seattle, Washington.

“Escrow Agreement” means the Escrow Agreement to be dated as of the date of closing of the Bonds authorized to be entered into pursuant to Section 13.

“Federal Tax Certificate” means the certificate executed by the Finance Director or her designee setting forth the requirements of the Code for maintaining the tax-exemption of interest on the Bonds.

“Government Obligations” means those obligations now or hereafter defined as such in Chapter 39.53 RCW, as such chapter may be hereafter amended or restated.

“Insurer” means Financial Security Assurance Inc., a stock insurance company incorporated under the laws of the State of New York, or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy.

“Letter of Representations” means the Blanket Letter of Representations from the City to DTC.

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

“NRMSIR” means a nationally-recognized municipal securities information repository.

“1994A Bonds” means the Limited Tax General Obligation Bonds, 1994A of the City, issued under date of September 1, 1994 pursuant to Ordinance No. 94-2163 passed by the Council on August 22, 1994, and presently outstanding in the principal amount of \$290,000.

“1994A Refunded Bonds” means the 1994A Bonds maturing on and after December 1, 2008.

“1996 Bonds” means the Limited Tax General Obligation Bonds, 1996 of the City, issued under date of June 1, 1996 pursuant to Ordinance No. 96-2262 passed by the Council on May 13, 1996, and presently outstanding in the principal amount of \$815,000.

“1996 Refunded Bonds” means the 1996 Bonds maturing on and after December 1, 2008.

“Project” means the construction of street and storm water improvements and other capital projects as may be approved by the City Council.

“Refunded Bonds” means, collectively, the 1994A Refunded Bonds and the 1996 Refunded Bonds.

“Refunding Account” means the account by that name established within the Bond Fund pursuant to Section 13 of this ordinance.

“Registered Owner” means the person in whose name a Bond is registered on the Bond Register. For so long as the City utilizes the book-entry system for the Bonds, DTC shall be deemed to be the Registered Owner.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934.

“SID” means a state information repository for the State of Washington (if one is created).

“Underwriter” means D.A. Davidson & Co.

SECTION 2. Findings and Authorization of Project. The Council hereby finds that it is in the public interest for the City to refund the Refunded Bonds and thereby effect a savings to the City and its taxpayers and to provide funding for the Project. A portion of the cost of the Project will be financed from the proceeds of sale of the Bonds. If the Council shall determine that it has become impractical to accomplish the Project, or any portion thereof, by reason of changed conditions, the City shall not be required to accomplish such Project, or portion thereof. If all of the Project has been acquired or constructed or duly provided for, or found to be unfeasible, the Council may apply the Bond proceeds or any portion thereof to the redemption of the Bonds or to other capital purposes as the Council, in its discretion, shall determine.

SECTION 3. Authorization of Bonds. The City shall issue and sell the Bonds in the aggregate principal amount of \$[6,045,000] to provide money to refund the Refunded Bonds, to finance costs of the Project and to pay costs of issuance of the Bonds. The Bonds shall be general obligations of the City; shall be designated “City of Blaine, Washington, Limited Tax General Obligation and Refunding Bonds, 2007”; shall be dated as of their date of delivery; shall be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately and in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification and control; shall bear interest (calculated based on a 360-day year of 12 30-day months) at the rates set forth below from their date, until the Bonds have been paid or their payment duly provided for, payable on June 1, 2008, and semiannually thereafter on the first day of each December and June and shall mature on December 1 of each year as follows:

<u>Maturity Year (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
2008	\$	%
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		

SECTION 4. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The City hereby adopts the system of registration approved by the Washington State Finance Committee, which utilizes the fiscal agency of the State of Washington in New York, New York, as registrar, authenticating agent, paying agent and transfer agent (collectively, the “Bond Registrar”). The Bond Registrar shall

keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Bonds (the “Bond Register”), which shall be open to inspection by the City. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar’s powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar may deem and treat the Registered Owner of each Bond as the absolute owner for all purposes, 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 registration may be transferred as herein provided. All such payments made as described in Section 4(h) shall be valid and shall satisfy the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* The Bonds shall initially 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 heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations (the “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 with respect to the Bonds for the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice that 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), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as 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, and all references in this ordinance to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in any Bonds.

(d) *Use of Depository.*

(i) The Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with a single Bond for each maturity in a denomination equal to the total principal amount of such maturity. 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 City pursuant to subsection (ii) below or such substitute depository's successor; or (C) to any person as provided in subsection (iv) below.

(ii) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the City to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the City may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(iii) In the case of any transfer pursuant to clause (A) or (B) of subsection (i) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the City, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or substitute depository, or its nominee, all as specified in such written request of the City.

(iv) 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 City determines that it is in the best interest of the beneficial owners of the Bonds that the Bonds be provided in certificated form, 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 City shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds in certificated form, to issue Bonds in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds, together with a written request on behalf of the City to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are provided in such written request.

(e) *Transfer or Exchange of Registered Ownership; Change in Denominations.* The registered ownership of any Bond may be transferred or exchanged, but no transfer of any 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, a new Bond (or Bonds at the

option of the new Registered Owner) of the same 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 canceled 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 date, maturity and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to transfer or exchange any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

(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 rights of the Registered Owners of the 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. For so long as all Bonds are in fully immobilized form, payments of principal and interest 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 15th day of the month preceding the interest payment date, and 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 and Purchases.

(a) *No Optional Redemption.* The Bonds are not subject to redemption prior to their stated maturities.

[(b) *Mandatory Redemption.* The Bonds maturing on December 1, ____ (which shall be deemed to be Term Bonds), shall be redeemed prior to maturity randomly (or paid at maturity), not later than December 1 in the following years (to the extent such Bonds have not been previously redeemed or purchased) and in the principal amounts set forth below, without premium, together with the interest accrued to the date fixed for redemption.

____ Term Bonds	
Year	Amount
_____	_____
	\$

*

* Maturity]

[(c) *Notice of Redemption.* Written notice of any redemption of Bonds shall be given by the Bond Registrar on behalf of the City by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date to the Registered Owners of Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the Bonds are in book-entry form, notice of redemption shall be given as provided in the Letter of Representations.

The requirements of this section shall be deemed complied with when notice is mailed, whether or not it is actually received by the owner.

Each notice of redemption shall contain the following information: (1) the redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption price will become due and payable upon each Bond or portion called for redemption, and that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be surrendered for payment at the principal office of the Bond Registrar, (6) the CUSIP numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of interest for each Bond being redeemed, (9) the date of the notice, and (10) any other information needed to identify the Bonds being redeemed.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(d) *Effect of Redemption.* Unless the City has revoked a notice of redemption, the City shall transfer to the Bond Registrar amounts that, in addition to other money, if any, held by the Bond Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. From the redemption date interest on each Bond to be redeemed shall cease to accrue.

(e) *Amendment of Notice Provisions.* The foregoing notice provisions of this section, 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.]

(f) *Purchase on Open Market.* The City reserves the right to purchase any of the Bonds in the open market at any time and at any price.

SECTION 6. Creation of Bond Fund and Provision for Tax Levy Payments. A special account of the City known as the “City of Blaine Limited Tax General Obligation Bond Redemption Fund, 2007” (the “Bond Fund”), is hereby authorized to be created. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on the Bonds.

The City hereby irrevocably covenants for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and pay into the Bond Fund (on or before the date due) an amount which will be sufficient to pay the principal of and interest on the Bonds as the same shall become due. None of the money in the Bond Fund shall be used for any other purpose than the payment of the principal of and interest on the Bonds. Money in the Bond Fund not needed to pay the interest or principal next coming due may temporarily be deposited in such institutions or invested in such obligations as may be lawful for the investment of City money. Any interest or profit from the investment of such money shall be deposited in the Bond Fund.

The City hereby irrevocably pledges that, to the extent it does not have other sufficient funds to repay the Bonds, it will levy an ad valorem tax upon all the property within the City subject to taxation, within and as a part of the tax millage levy permitted to cities without a vote of the people, in an amount sufficient to repay the Bonds. 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 such taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

SECTION 7. Bonds Deemed To Be No Longer Outstanding. 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, held in trust by a trustee, cash or noncallable government obligations, as such obligations are now or hereafter be defined in RCW 39.53, 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 such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

SECTION 8. Tax Covenant; Special Designation. The City shall comply with the provisions of this section unless, in the written opinion of Bond Counsel to the City, such compliance is not required in order to maintain the exemption of the interest on the Bonds from federal income taxation.

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 and the applicable regulations thereunder that 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.

The City further covenants that it will not take any action or permit any action to be taken that would cause the Bonds to constitute “private activity bonds” under Section 141 of the Code.

The City will pay any rebate amount to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption of the interest payments on the Bonds, in accordance with the Federal Tax Certificate.

The City hereby designates the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The City does not anticipate that it will issue more than \$10,000,000 of qualified tax-exempt obligations during 2007.

SECTION 9. Lost or Destroyed Bonds. If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, maturity and tenor to the Registered Owner upon the owner paying the expenses and charges of the Bond Registrar and the City in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to both.

SECTION 10. Form of the Bonds. The Bonds shall be in substantially the following form:

STATEMENT OF INSURANCE

Financial Security Assurance Inc. (“Financial Security”), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled

payments due of principal of and interest on this Bond to The Bank of New York, New York, New York, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON
CITY OF BLAINE
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BOND, 2007

INTEREST RATE:

MATURITY DATE:

CUSIP NO:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Blaine, Washington, a municipal corporation organized and existing under the laws and Constitution of the State of 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 specified above, unless redeemed prior thereto as provided herein, together with interest on such Principal Amount from the date hereof or the most recent date to which interest has been paid or duly provided for at the Interest Rate set forth above payable June 1, 2008, and semiannually thereafter on each December 1 and June 1 until payment of the principal sum has been made or duly provided for. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the Bonds are held 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 Blanket Issuer Letter of Representations from the City to The Depository Trust Company. In the event that the Bonds are no longer held in fully immobilized form, interest on this bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal of this bond shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the fiscal agency of the State of Washington in New York, New York (the "Bond Registrar").

This bond is one of an issue of limited tax general obligation bonds of the City of like date and tenor, except as to number, interest rate and date of maturity, in the aggregate principal amount of \$[6,045,000] (the "Bonds"), issued pursuant to Ordinance No. 07-____ of the City, passed on December 10, 2007 (the "Bond Ordinance"), to refund certain outstanding general obligations of the City and to provide financing for street and storm water improvements.

The Bonds are not subject to optional redemption prior to their scheduled maturities.

The City has designated the Bonds as “qualified tax-exempt obligations” for purchase by financial institutions.

The City has irrevocably covenanted with the owner of this bond that it will annually include in its budget and levy taxes, within and as a part of the tax levy permitted to cities 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 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.

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

Reference is made to the Bond Ordinance as more fully describing the covenants with and the rights of Registered Owners of the Bonds or registered assigns and the meanings of capitalized terms appearing on this bond that are defined in such ordinance.

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

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

IN WITNESS WHEREOF, the City of Blaine, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor and to be attested by the manual or facsimile signature of the City Clerk, as of this 27th day of December, 2007.

CITY OF BLAINE, WASHINGTON

By _____/s/_____
Mayor

ATTEST:

_____/s/_____
City Clerk

The Certificate of Authentication for the Bonds shall be in substantially the following form and shall appear on each Bond:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the City of Blaine, Washington, Limited Tax General Obligation Bonds, 2007, dated December 27, 2007.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Signer

SECTION 11. Execution of the Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk. In case either or both of the officers who have signed or attested any of the Bonds cease to be such officer before such Bonds have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed or attested such Bonds had not ceased to be such officers, and any Bond may be signed or attested on behalf of the City by officers who at the date of

actual execution of such Bond are the proper officers, although at the nominal date of execution of such Bond such officer was not an officer of the City.

Only Bonds that bear a Certificate of Authentication in the form set forth in Section 10, 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 and are entitled to the benefits of this ordinance.

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

SECTION 12. Application of Proceeds of Bonds. At the time of delivery of the Bonds, the proceeds of the Bonds shall be deposited as follows:

(a) A portion of the proceeds of the Bonds shall be deposited into the _____ Fund and be used to finance a portion of the costs of the Project and to pay costs of issuing the Bonds; and

(b) The remaining proceeds of the Bonds shall be deposited into the Refunding Account and used to refund the Refunded Bonds and to pay costs of issuing the Bonds.

SECTION 13. Refunding Plan and Procedures.

(a) *Refunding Plan.* For the purpose of realizing a debt service savings and benefiting the taxpayers of the City, the City Council proposes to issue refunding bonds for the purpose of providing for the payment of the principal of and interest on and the redemption price of the Refunded Bonds on February 1, 2008 (the “Refunding Plan”).

(b) *Refunding Account.* There is created an account known as the “Bond Refunding Account” (the “Refunding Account”) to be held by the Escrow Agent, which account is to be drawn upon for the sole purpose of paying the principal of and interest on the Refunded Bonds until their date of redemption and of paying costs related to the refunding of these bonds.

The proceeds of sale of the Bonds necessary to refund the Refunded Bonds shall be credited to the Refunding Account.

Money in the Refunding Account shall be used immediately upon receipt to defease the Refunded Bonds as authorized by this ordinance and Ordinance Nos. 94-2163 and 96-2262 and to pay costs of issuance. The City shall defease the Refunded Bonds and discharge such obligations by the use of money in the Refunding Account to purchase certain Government Obligations (which obligations so purchased, are herein called “Acquired Obligations”), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

- (i) interest on the Refunded Bonds to and including February 1, 2008;
- and
- (ii) the redemption price of the Refunded Bonds (100% of the principal amount thereof) on February 1, 2008.

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

(c) *Escrow Agent/Escrow Agreement.* To carry out the refunding and defeasance of the Refunded Bonds, the Finance Director is hereby authorized to appoint as escrow agent a bank or trust company qualified by law to perform the duties described herein (the “Escrow Agent”). A beginning cash balance, if any, and Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of the Bonds remaining in the Refunding Account after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bonds.

In order to carry out the purposes of this section, the Finance Director and other appropriate officers of the City are authorized and directed to execute and deliver to the Escrow Agent, an Escrow Deposit Agreement, substantially in the form on file with the City.

(d) *Implementation of Refunding Plan.* The City hereby irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds of the Refunded Bonds to make the payments described in subsection (b) of this section.

The City hereby irrevocably calls the Refunded Bonds for redemption on February 1, 2008 in accordance with the provisions of Ordinance Nos. 94-2163 and 96-2262 authorizing the redemption and retirement of the Refunded Bonds prior to their fixed maturities. Said calls for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the escrow account and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notices of the redemption of the Refunded Bonds in accordance with the applicable provisions of Ordinance Nos. 94-2163 and 96-2262. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notices therefor. The costs of publication of such notices shall be an expense of the City.

The Escrow Agent is hereby authorized and directed to pay to the Bond Registrar, sums sufficient to pay, when due, the payments specified in of subsection (a) of this section. All such sums shall be paid from the money and Acquired Obligations deposited with said Escrow Agent pursuant to the previous section of this ordinance, and the income therefrom and proceeds thereof. All such sums so paid to said Bond Registrar shall be credited to the Refunding Account. All money and Acquired Obligations deposited with the bank and any income therefrom shall be held, invested (but only at the direction of the Finance Director) and applied in accordance with the provisions of this ordinance and with the laws of the State of Washington for the benefit of the City and owners of the Refunded Bonds.

The City will take such actions as are found necessary to ensure that all necessary and proper fees, compensation and expenses of the Escrow Agent for the Refunded Bonds shall be paid when due.

SECTION 14. Sale of the Bonds. The Council finds that the purchase contract of the Underwriter that has been distributed to the Council is reasonable and that it is in the best interest of the City that the Bonds shall be sold upon the conditions set forth in the purchase contract. The City accepts the purchase contract and authorizes the Mayor, City Manager or Finance Director to execute the purchase contract and deliver it to the Underwriter. The Bonds shall be

issued and delivered to the Underwriter upon payment of the purchase price specified in the purchase contract.

SECTION 15. Official Statement. The City approves the preliminary official statement presented to the Council and ratifies the Underwriter's distribution of the preliminary official statement in connection with the offering of the Bonds. The City authorizes the Underwriter to use the official statement, substantially in the form of the preliminary official statement, in connection with the sale of the Bonds. The Mayor, City Manager and Finance Director are hereby authorized to review and approve on behalf of the City the final Official Statement relative to the Bonds with such additions and changes as may be deemed necessary or advisable to them. The Council hereby deems the Preliminary Official Statement prepared in connection with the sale of the Bonds as final, pursuant to the Rule, except for the omission of information dependent upon the pricing of the Bonds and the completion of the underwriting agreement.

SECTION 16. 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 each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2008 for the fiscal year ended December 31, 2007):

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 Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute);

2. The assessed valuation of taxable property in the City;
3. Property taxes due, property taxes collected and property taxes delinquent;
4. Property tax levy rates 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 each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the NRMSIR's, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

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 Budget Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statutes), when and if available, to each then existing NRMSIR and the SID, if any.

(c) *Material Events.* The City agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- 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 or events affecting the tax-exempt status of the Bonds;
- Modifications to the rights of Bond owners;
- Bond calls (optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-238560);
- Defeasances;
- Release, substitution or sale of property, securing repayment of the Bonds; and
- Rating changes.

Solely for purposes of disclosure, and not intending to modify this undertaking, the City advises that no property or debt service reserves secure payment of the Bonds and the Bonds are not rated.

(d) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, 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) *Termination/Modification.* The City's obligations to provide annual financial information and notices of material events shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. Any provision of that 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 each NRMSIR and the SID, if any, of such opinion and the cancellation of this section. The City may amend this section with an approving opinion of nationally recognized bond counsel.

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, (I) notice of such change shall be given in the same manner as for a material event under subsection (c), and (II) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if practical, 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.

(f) *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.

(g) *DisclosureUSA.* The City may elect to submit the information required by this Section 15 to be filed with the NRMSIRs and the SID, if any, directly to DisclosureUSA.org unless or until the Commission withdraws its approval of this submission process.

SECTION 17. Bond Insurance.

(a) *Acceptance of Insurance.* In accordance with the offer of the Underwriter to purchase the Bonds, the Council hereby approves the commitment of the Insurer to provide a bond insurance policy guaranteeing the payment when due of principal of and interest on the Bonds (the "Bond Insurance Policy"). The Council further authorizes and directs all proper officers, agents, attorneys and employees of the City to cooperate with the Insurer in preparing such additional agreements, certificates, and other documentation on behalf of the City as shall be necessary or advisable in providing for the Bond Insurance Policy.

SECTION 18. General Authorization; Ratification of Prior Acts. The Mayor, City Manager and Finance Director and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order

to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

SECTION 19. Severability. If any provision in this ordinance is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

SECTION 20. Effective Date. This ordinance shall be effective five days after its publication as provided by law.

PASSED by the City Council of the City of Blaine, Washington, at a meeting this 10th day of December, 2007.

CITY OF BLAINE, WASHINGTON

Mike Myers, Mayor

ATTEST:

Sheri Sanchez, City Clerk

CERTIFICATE

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

1. That the attached ordinance is a true and correct copy of Ordinance No. 07-_____ of the City (the "Ordinance"), as finally passed at a meeting of the City Council of the City held on December 10, 2007 and duly recorded in my office.

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 quorum of the Council 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 said Ordinance; that all other requirements and proceedings incident to the proper adoption or passage of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

DATED this 10th day of December, 2007.

Sheri Sanchez, City Clerk