

**CITY OF LIBERTY LAKE
Spokane County, Washington**

ORDINANCE NO. 92

AN ORDINANCE OF THE CITY OF LIBERTY LAKE, OF SPOKANE COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$800,000 IN ORDER TO OBTAIN FUNDS TO PAY PART OF THE COSTS OF THE ACQUISITION OF REAL PROPERTY FOR MUNICIPAL FACILITIES OF THE CITY; PROVIDING FOR THE ISSUANCE OF A REAL ESTATE NOTE IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$1,800,000; PROVIDING FOR THE SALE OF THE BONDS TO D. A. DAVIDSON & CO., INC., OF SPOKANE, WASHINGTON, AND THE ISSUANCE OF THE NOTE TO THE SELLERS OF REAL PROPERTY TO THE CITY; PROVIDING FOR THE REGISTRATION OF SAID BONDS AND NOTE; CREATING CERTAIN FUNDS FOR SAID BONDS AND NOTE; FIXING THE INTEREST RATE, MATURITY, FORM, TERMS AND COVENANTS OF SAID BONDS AND NOTE; PROVIDING CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; PROVIDING FOR THE EFFECTIVE DATE OF THIS ORDINANCE; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

**CITY OF LIBERTY LAKE
Spokane County, Washington**

**GENERAL OBLIGATION BONDS - \$800,000
REAL ESTATE NOTE - \$1,800,000**

BE IT ORDAINED by the Mayor and the Members of the City Council of the City of Liberty Lake, of Spokane County, Washington, as follows:

WHEREAS, the City of Liberty Lake (the "City"), of Spokane County, Washington, is a duly incorporated and existing municipal corporation organized and operating under the Constitution and laws of the State of Washington;

WHEREAS, the City is authorized and empowered by RCW 35.37 and 39.46 to authorize, sell and deliver general obligation Bonds to finance the acquisition, construction and installation of improvements and betterments to City facilities, and to issue a Note secured by a Deed of Trust on Real Estate;

WHEREAS, certain real property within the limits of the City has become available for purchase, which the City desires to purchase and improve for City municipal use, and the City Council (the "Council") now desires to issue Bonds to provide a portion of the costs of such purchase, and a Note to secure payment of the remainder of the purchase price;

WHEREAS, D. A. Davidson & Co., Inc., of Spokane, Washington, has offered to purchase the General Obligation Bonds of the City in an amount of not to exceed \$800,000 under the terms hereinafter set forth;

WHEREAS, Valley View Golf Course, LLC, as owners of the real property being acquired by the City, are willing to take a Promissory Note in the principal amount of \$1,800,000 in exchange therefore; and

WHEREAS, in the judgment of the City, it is in the best interest of the City to accept said offers;

NOW, THEREFORE, IT IS HEREBY FOUND, DETERMINED AND ORDERED as follows:

Section 1: DEFINITIONS

As used in this Ordinance, capitalized terms shall have the meanings provided in this Section. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and vice versa. Words imparting the singular number shall include the plural numbers and vice versa, unless the context shall otherwise indicate.

Acquire, Acquiring or Acquisition includes the opening, laying out, establishment, purchase, construction, securing, installation, reconstruction, lease, gift, grant from the federal government, the State of Washington, any public body therein or any person or entity, the condemnation, transfer, option to purchase, other contract, or other acquirement, or any combination thereof.

Bonds shall mean the hereinafter authorized limited tax general obligation bonds in the aggregate principal amount of \$800,000.

Bond Year means each one-year period that ends on the date selected by the City. The first and last Bonds Years may be short periods. If no day is selected by the City before the earlier of the final maturity date of the Bonds or the date that is five (5) years after the date of issuance of the Bonds, Bonds Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

City shall mean the City of Liberty Lake, of Spokane County, Washington, a duly incorporated and existing City organized and operating under the laws of the State of Washington acting by and through its' employees, officers and City Council.

Clerk shall mean the *de facto* or *de jure* City Clerk, or other officer of the City who is the custodian of the seal of the City and of the records of the proceedings of the City, or his/her successor in function, if any.

Code shall mean the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

Cost of the Project or **Costs of the Project** or any phrase of similar import, shall mean all or any part designated by the City of the costs of the Project, or interest therein, which costs, at the option of the City, may include all or any part of the incidental costs pertaining to the Acquisition of the Project, including, without limitation:

- (1) Preliminary expenses advanced by the City from funds available for the use therefor, or advanced by the federal government, or from any other source, with approval of the Council, or any combination thereof;
- (2) The costs of making surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;
- (3) The costs of appraising, printing, estimates, advice, services of engineers, architects, financial consultants, attorneys at law, clerical help, or other agents or employees;
- (4) The costs of contingencies;
- (5) The costs of issuance of Bonds;
- (6) The costs of funding and short-term financing, revenue warrants, bonds anticipation bonds or other temporary loans appertaining to the Project, and of the incidental expenses incurred in connection with such loans;
- (7) The Acquisition costs of any properties, rights, easements, or other interest in properties, or any licenses, privileges, agreements and franchises; and
- (8) All other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the City.

DTC means the Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

Improvement(s) includes the buildings, structures and appurtenances on the real property acquired in part with the proceeds of the Bonds.

Mayor shall mean the *de facto* or *de jure* Mayor of the City, or any presiding officer or titular head of the City or his/her successor in functions, if any.

Net Proceeds when used with reference to the Bonds, shall mean the face amount of the Bonds, plus accrued interest, if any, and original issue premium, if any, and less original issue discount, if any.

Note shall mean a Promissory Note in the aggregate principal amount of not to exceed \$1,800,000 to secure payment for the Project.

Bond Fund shall mean the "City of Liberty Lake General Obligation Bond and Note Fund" created by this Ordinance.

Bond Register shall mean the registration records of the City, maintained by the Bond Registrar, on which shall appear the names and addresses of the Registered Owner of the Bonds.

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

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

Project shall mean the undertaking or undertakings of Acquiring the real estate and Improvements described herein.

Project Fund shall mean the "City of Liberty Lake Golf Project Fund" created by this Ordinance for the purpose of paying a portion of the Costs of the Project.

Real Property shall mean the real property described in the Asset Purchase Agreement entered into on June 4, 2002.

Registered Owner or **Registered Owners** shall mean the person or persons whose names and addresses shall appear on the Bond Register maintained by the Bond Registrar, as the owner or owners of the Bonds and Note.

Registrar or **Bond Registrar** shall mean either of the Washington State Fiscal Agencies in Seattle, Washington, and New York, New York, or their successors in functions, as now or hereafter designated for the Bonds. The City Clerk or her successor in function shall be the Registrar for the Note.

Treasurer shall mean the Treasurer of the City, or his or his/her successor in functions, if any.

Section 2: THE PROJECT

The City shall Acquire certain real property and make certain Improvements thereto, consisting of the following:

- (1) The Acquisition of approximately 60 acres, known as the Valley View Golf Course;
- (2) The Acquisition of appurtenances thereto and improvements thereon, described in Resolution 02-45 and the Agreements referenced therein;
- (3) Engineering fees, administrative costs, legal fees and all other costs incidental thereto, together with the purchase of sites and easements therefor and all appurtenances and machinery necessary or useful for said system.

Section 3: COST OF THE PROJECT

The total Cost of the Project is estimated to be approximately \$2,600,000, of which not to exceed \$2,600,000 will be financed by the proceeds of the Bonds and Note. Any additional costs of the Project will be paid from other legally available funds, including loan and grant funds and other legally available funds of the City.

Section 4: PLEDGE OF FAITH AND CREDIT; TAX LEVIES

The Bonds and Note are limited tax general obligations of the City and, as such, the full faith and credit of the City are hereby pledged for their payment, within the appropriate Constitutional and statutory limitations pertaining to non-voted general obligations.

The officers now or hereafter charged by law with the duty of levying taxes for the payment of said Bonds and Note and the interest thereon shall, in the manner provided by law, make annual tax levies upon all of the taxable property within the City sufficient, together with other legally available funds, to meet the payments of principal and interest maturing and accruing as set forth herein, having always in mind the Constitutional and statutory tax limitations pertaining to non-voted general obligations.

Section 5: REGISTRATION, PLACE AND MANNER OF PAYMENT

(a) Registrar/Bond Register. The City hereby requests that the Treasurer adopt the system of registration approved by the Washington State Finance Committee. The City shall cause a Bond Register to be maintained by the Bond Registrar. So long as any portion of the Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of the Bonds at its principal office. 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 which shall at all times be open to inspection by the City. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the 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, each in its discretion, may deem and treat the Registered Owner of the Bonds as the absolute owner thereof for all purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bonds shall be made only as described herein, but such registration may be transferred as herein provided. All such payments made as described herein shall be valid and shall satisfy and discharge the liability of the City upon such Bonds to the extent to treat the person in whose name any Bonds is registered as the absolute owner thereof for all purposes of this Ordinance and any applicable laws, notwithstanding any notice to the contrary received by the Bond Registrar or the City.

(c) DTC Acceptance/Letter of Representations. The Bonds initially issued shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City shall execute and deliver to DTC (or has heretofore executed and delivered to DTC) a Blanket 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 in respect to the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of 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 is held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) Use of Depository.

(i) The Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with one Bonds for each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not hereafter 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 Bonds for each maturity then outstanding, registered in the name of such successor or such substitute depository, or its nominee, as the case may be, 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 interests of the beneficial owners of the Bonds that such owners be able to obtain Bonds 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, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the City to the Bond Registrar, new Bonds shall be issued in such denominations and registered in the names of such persons as are requested in such written request.

(e) Transfer or Exchange of Registered Ownership Change in Denominations. The registered ownership of any Bonds may be transferred or exchanged, but no transfer of any such Bonds shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bonds 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 Bonds and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bonds (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 Bonds, in

exchange for such surrendered and canceled Bonds. Any Bonds may be surrendered to the Bond Registrar and exchanged, without charge, for any 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 Bonds during the 15 days preceding any interest payment or principal payment date.

(f) Place and Medium of Payment. Both principal of and interest on the Bonds and Note shall be payable in lawful money of the United States of America. For so long as all Bonds is in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter to Representations. In the event that the Bonds is no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date. 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.

(g) Note Registrar. The City Clerk is hereby appointed as Registrar on the Note. The City Clerk assumes the responsibilities of the Registrar set forth herein.

Section 6: REDEMPTION OF BONDS AND NOTE PRIOR TO MATURITY

A. Optional Redemption of Bonds.

Bonds maturing in the years 2003 through 2011, inclusive, shall not be subject to redemption prior to their respective maturity dates. The City hereby reserves the right and option to redeem the Bonds maturing on and after December 1, 2012 at any time on or after December 1, 2011, in whole or in part (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar or DTC shall determine), at the price of par plus accrued interest, if any, to the date of redemption.

B. Notice of Redemption. Notice of any such redemption shall be sent by the Bond Registrar by first-class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at the address 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.

This requirement shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the Registered Owner of any Bond to be redeemed.

In addition, such redemption notice shall be mailed within the same period, postage prepaid, by first-class mail, to D. A. Davidson, of Spokane, Washington, or its successor as Underwriter, and to Standard & Poor's Rating Group, in New York, New York, or its successor, if any, but such mailing shall not be a condition precedent to the redemption of such Bonds. The

County shall also cause the Bond Registrar to provide notice of redemption (at least thirty (30) days) to each NRMSIR and SID, if any, in accordance herewith.

C. Selection of Bonds for Redemption. For as long as the Bonds are held in fully immobilized form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. In all other cases, if the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

D. Effect of Redemption. When so called for redemption, such Bonds shall cease to accrue interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time, and such Bonds shall not be deemed to be outstanding as of such redemption date.

E. Purchase on Open Market. The City reserves the right to purchase any of the Bonds on the open market at any time at any price.

F. Redemption of Note. The principal of the Note may be prepaid at any time without any penalty or premium.

Section 7: LOST, STOLEN, MUTILATED OR DESTROYED BONDS

In case a Bond is lost, stolen, mutilated or destroyed, the Registrar may register and deliver a new Bond of like date, rate of interest, maturity, tenor and effect to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City in connection therewith and upon his filing with the Registrar and the City evidence satisfactory to the Registrar and the City that such Bond was actually lost, stolen, mutilated or destroyed and of his ownership thereof, and upon furnishing the Registrar and the City with indemnity satisfactory to the Registrar and the City.

Section 8: TRANSFER OR EXCHANGE OF BONDS

The Bonds shall be transferable by the Registered Owner thereof in person, or by his attorney duly authorized in writing, upon presentation and surrender of such Bonds at the principal office of the Registrar for cancellation and issuance of new Bond Registered in the name of the transferee, in exchange therefor.

Whenever any Bonds shall be surrendered for transfer, the Registrar shall register and deliver to the transferee, in exchange therefor, a new Bonds of the same denomination, maturity and interest rate as the Bonds surrendered.

The Registrar shall require the payment by the Registered Owner requesting such transfer of any tax, fee or governmental charge required to be paid with respect to such transfer. The costs imposed by the Registrar for such transfer shall be deemed to be a Cost of the Project to be borne by the City.

Section 9: BOND FUND

There is hereby created, and shall be maintained by the Treasurer, a fund known as the "City of Liberty Lake General Obligation Bond and Note Fund" (the "Bond Fund") which shall be drawn upon for the sole purpose of paying the principal of and interest on the Bonds and Note. Money on deposit in the Bond Fund not immediately needed to pay such interest or principal may be temporarily deposited in such institutions or invested in any obligations which are legal investments for City funds. Any interest earnings from the investment of such money shall be deposited into the Bond Fund.

Section 10: PROJECT FUND

There is hereby created, and shall be maintained by the Treasurer, a fund known as the "City of Liberty Lake Golf Project Fund" (herein called the "Project Fund"), into which shall be deposited the proceeds of the sale of the Bonds.

Moneys in the Project Fund shall be used for the payment of part of the cost and expense of the Acquisition and installation of the Project. All interest earnings on moneys invested from the Project Fund shall be deposited into said Project Fund. The City's share of any liquidated damages or other moneys paid by defaulting contractors or their sureties will be deposited into said Project Fund to assure the Acquisition and completion of the Project.

When the Project has been completed and all costs related thereto, including all principal of and interest on the Bonds is paid in full, any moneys remaining in the Project Fund may be deposited in the Bond Fund, created hereafter, or used for other capital projects of the City.

Section 11: PROVISION FOR DEFEASANCE OF THE BONDS

In the event that money and/or direct obligations of, or obligations guaranteed by the United States (hereinafter referred to as "government obligations") as provided by Section 39.53 RCW, as it now reads or is hereafter amended, maturing or having guaranteed redemption prices, at such time or times and bearing interest to be earned thereon in such amounts as are sufficient (together with any resulting cash balances) to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Bond

Fund for the payment of the principal of and interest on the Bonds so provided for and such Bonds shall then cease to be entitled to any lien, benefit or security of this Ordinance, except the right to receive the funds so set aside and pledged, and such Bonds shall no longer be deemed to be outstanding hereunder.

Section 12: EXECUTION OF THE BONDS AND NOTE

Without unreasonable delay the City shall cause the Bonds to be prepared, executed and delivered, which Bonds shall be typed, lithographed or printed with steel engraved or lithographed borders. Each Bonds shall be executed on behalf of the City by the Mayor and shall be attested by the Clerk (both of which signatures shall be by manual signature). Each Bond shall be substantially in the form as set forth in Exhibit "A" attached hereto and made a part hereof. The Note, in substantially the form set forth in Exhibit "B", shall be executed by the appropriate officials of the City.

The Bonds shall then be delivered to the Registrar for registration and delivery. Only such Bonds as shall bear thereon a Registration Certificate in the form hereinafter recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Ordinance, and such Registration Certificate shall be conclusive evidence that the Bonds so registered have been duly executed and delivered hereunder and are entitled to the benefits of this Ordinance.

Section 13: SALE OF BONDS

The City hereby authorizes and approves the sale of the Bonds to D. A. Davidson & Co., of Spokane, Washington, in accordance with the terms and conditions set forth in the Bond Purchase Contract. The City hereby delegates to the Mayor the authority to execute the Bond Purchase Contract on behalf of the City in substantially the form filed with the City, subject to the following limitations:

- (a) The principal amount of the Bonds does not exceed \$800,000;
- (b) The interest rate on the Bonds does not exceed 6.00% per annum;
- (c) The discount paid to the Purchaser of the Bonds does not exceed 1.275% of the principal amount of the Bonds; and
- (d) The Bond Purchase Contract is executed prior to August 15, 2002.

The Mayor is hereby authorized and directed to do all things necessary for the prompt execution and delivery of the Bonds and for the proper use and application of the proceeds of sale thereof.

Section 14: ARBITRAGE; SPECIAL TAX COVENANTS

A. Special Tax Covenants.

The City hereby covenants that it will not make any use of the proceeds of sale of the Bonds or Note or any other funds of the City which may be deemed to be proceeds of said Bonds or Note pursuant to Section 148 of the Code which will cause the Bonds to be "arbitrage Bonds" within the meaning of said Section. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds and Note) throughout the term of the Bonds.

The City hereby further covenants that it will comply with the registration requirements of Section 149(a) of the Code so long as any of the Bonds or the Note are outstanding.

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

B. "Qualified Tax-Exempt Obligations."

The City hereby designates the Bonds and Note as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Code. The City does not expect to issue tax-exempt obligations in an aggregate principal amount in excess of \$10,000,000 during the calendar year 2002.

C. Exemption from Arbitrage Rebate Requirements.

The City hereby covenants and represents that: (i) all proceeds of the Bonds will be expended within six (6) months of the date of issuance; and (ii) it does not reasonably expect to issue more than \$5,000,000 in tax-exempt obligations during the 2002 calendar year. Accordingly, the City is not required to comply with the arbitrage rebate rules by virtue of Sections 148(f)(4)(B) and 148(f)(4)(C), respectively, of the Code.

D. Private Person Use Limitation.

The City hereby covenants that so long as the Bonds and Note are outstanding, it will not permit the use of any Net Proceeds of the Bonds or Note for any Private Person Use as determined under the Code.

The City further covenants that it will comply with any limitations on the use of the Project by other than state and local governmental users that are necessary, in the opinion of bond counsel, to preserve the tax exemption of the interest on the Bonds and the Note.

E. Private Loan Limitation.

The City hereby covenants that so long as the Bonds and Note are outstanding, it will not permit Bonds proceeds to be used in a manner which may be characterized as a loan to a Private Person.

F. Federal Guaranty Prohibition.

The City hereby covenants that so long as the Bonds and Note are outstanding, it will not take any action or permit or suffer any action to be taken if the result thereof would be to cause the Bonds or Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

G. Tax Covenants; Bond Counsel Opinion.

The City hereby covenants that it will comply with the provisions of this Ordinance pertaining to the Code unless, in the written opinion of Preston Gates & Ellis LLP, or other nationally recognized bond counsel to the City, such compliance is not required in order to maintain the exemption of the interest on the Bonds and Note from federal income taxation.

Section 15: PRELIMINARY OFFICIAL STATEMENT DECLARATION

The Mayor is hereby authorized to execute a certificate deeming the preliminary official statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and other certificates required by the securities laws of various states and the United States of America.

Section 16: ON-GOING DISCLOSURE

The City is exempt from providing continuing disclosure pursuant to the Securities and Exchange Commission's Rule 15c2-12, because the principal amount of Bonds authorized herein is less than One Million Dollars and the Note is being issued as a single obligation in a principal amount greater than \$100,000.

Section 17: SEVERABILITY

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

Section 18: RATIFICATION

All actions (not inconsistent with the provisions of this Ordinance) heretofore taken by the City, and its employees, with respect to the Acquisition of the Improvements, and the issuance, sale and delivery of the Bonds, are hereby in all respects ratified, approved, and confirmed.

Section 19: REPEALER

All ordinances, ordinances, or parts thereof in conflict herewith, to the extent of such conflict, are hereby repealed.

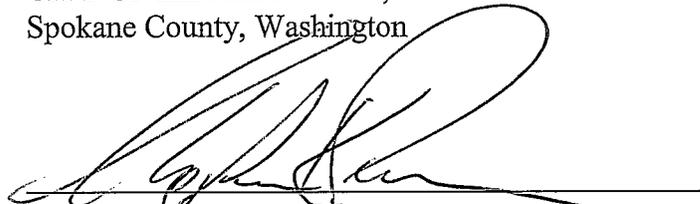
Section 20: EFFECTIVE DATE

This Ordinance shall be effective from and after its adoption and publication, or publication of a summary hereof, in the official newspaper of the City. A summary of this Ordinance is attached hereto as Exhibit "C" and incorporated herein by this reference.

FIRST AND SECOND READING of Ordinance on June 18, 2002.

PASSED AND ADOPTED this 18th day of June, 2002.

CITY OF LIBERTY LAKE,
Spokane County, Washington

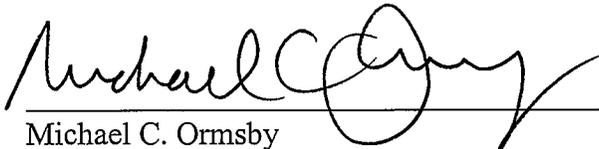

Mayor

ATTEST:



City Clerk

APPROVED AS TO FORM:



Michael C. Ormsby
Bond Counsel

CERTIFICATION

I, the undersigned City Clerk of the City of Liberty Lake, of Spokane County, Washington, HEREBY CERTIFY that the foregoing Ordinance is a full, true and correct copy of an Ordinance duly adopted at a regular meeting of the City Council of said City, duly and regularly held at the regular meeting place thereof on June 18, 2002 of which meeting all members of said City Council had due notice and at which a majority thereof were present; and that at said meeting said Ordinance was adopted by the following vote:

AYES, and in favor thereof, Councilmembers: 7 Ayes

NOES, Councilmembers: 0

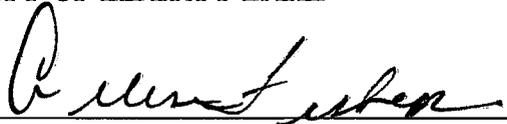
ABSENT, Councilmembers: 0

ABSTAIN, Councilmembers: 0

I FURTHER CERTIFY that I have carefully compared the same with the original Ordinance on file and of record in my office; that said Ordinance is a full, true and correct copy of the original Ordinance adopted at said meeting; and that said Ordinance has not been amended, modified or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the official seal of said City on June 18, 2002.

CITY OF LIBERTY LAKE



City Clerk

[Form of Bonds]

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF WASHINGTON
COUNTY OF SPOKANE

CITY OF LIBERTY LAKE
GENERAL OBLIGATION BOND, 2002

(The City has Designated the Bonds of this Series
as "Qualified Tax-Exempt Obligations")

See Reverse Side for
Additional Provisions

Principal Amount

Interest Rate

Maturity Date

The CITY OF LIBERTY LAKE, of Spokane County, Washington, (the "City"), a duly incorporated and existing city under and by virtue of the laws of the State of Washington, hereby acknowledges itself indebted and for value received promises to pay to

CEDE & CO.

on or before the Maturity Date indicated above, the principal sum set forth above, and to pay interest thereon from the City of Liberty Lake General Obligation Bond Fund from July 1, 2002, or the most recent date to which interest has been paid or duly provided for, at the rate per annum specified above, payable at maturity or any date of prior redemption of the Bonds. Interest shall be calculated on the basis of a 360-day year.

Both principal of and interest on this Bonds are payable in lawful money of the United States of America. For so long as the Bonds of this issue is in fully immobilized form, payment of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Blanket Letter of Representations from the City to The Depository Trust Company. In the event that the Bonds of this issue are no longer in fully immobilized form, both principal and interest on this Bonds shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the first day of the month preceding the maturity date, upon presentation and surrender of this Bonds by the Registered Owner at the principal office of the Bond Registrar.

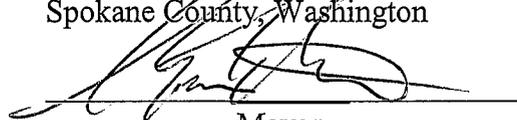
Reference is hereby made to additional provisions of this Bonds set forth on the reverse side hereof and such additional provisions shall for all purposes have the same effect as if set forth in this space.

This Bonds 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 Bonds is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances and resolutions of the City, specifically the Bond Ordinance, and that all acts, conditions and things required to be done precedent to and in the issuance of this Bonds have happened, been done and performed.

IN WITNESS WHEREOF, the City has caused this Bonds to be executed by the manual signature of its Mayor, and attested by the manual signature of its Clerk, with the official seal of the City impressed hereon this 1st day of July, 2002.

CITY OF LIBERTY LAKE,
Spokane County, Washington



Mayor

ATTEST:



City Clerk

[Reverse Side of Bonds]

ADDITIONAL PROVISIONS

This Bond is issued pursuant to and in full compliance with the Constitution and laws of the State of Washington, particularly the and also pursuant to all proceedings duly adopted and authorized by the City, more particularly the Bond Ordinance. Capitalized terms used herein shall have the meanings given to them by the Bond Ordinance.

The City has reserved the right and option to redeem and call the Bonds maturing on and after December 1, 2012 at any time on or after December 1, 2011, in whole or in part (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar or DTC shall determine), at the price of par plus accrued interest, if any, to the date of redemption. Unless waived by the Registered Owner of any Bonds to be redeemed, notice of any such redemption will be given not less than thirty (30) nor more than sixty (60) days prior to the date

fixed for redemption by first-class mail, postage prepaid, to the address appearing on the Bond Register.

The Bonds are issued by the City in the aggregate principal amount of not to exceed \$800,000, concurrently with the issuance of the City's Real Estate Purchase Agreement and Note in the aggregate principal amount of \$1,800,000, for the purpose of acquiring and improving City facilities.

To provide for the payment of the Bonds, the City has pledged its full faith and credit for the payment of the Bonds, within the appropriate Constitutional and statutory limitations pertaining to non-voted general obligations. The City shall make annual tax levies upon all of the taxable property within the City sufficient, together with other legally available funds, to meet the payments of principal and interest maturing and accruing as set forth herein, having always in mind the Constitutional and statutory tax limitations pertaining to non-voted general obligations.

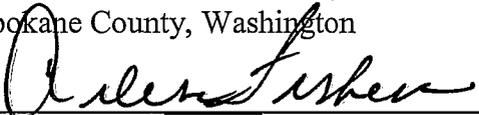
Reference is hereby made to the Bond Ordinance for a description of the covenants and conditions under which this Bond is issued. The City hereby covenants and agrees with the Registered Owner of this Bond that it will keep and perform all of the covenants of this Bond and of the Bond Ordinance to be kept and performed by the City.

This Bond is transferable by the Registered Owner hereof in person, or by his attorney duly authorized in writing, upon presentation and surrender of this Bond at the principal office of the Registrar. Upon such transfer, a new fully registered Bond of the same denomination, maturity and interest rate will be issued to the transferee, in exchange therefor.

LEGAL OPINION

I, the undersigned Clerk of the City of Liberty Lake, of Spokane County, Washington, DO HEREBY CERTIFY that the legal opinion of Preston Gates & Ellis LLP, of Spokane, Washington, which opinion was dated the date of delivery of the Bonds described therein, was delivered to me on said date, and is now part of the permanent records of the City.

CITY OF LIBERTY LAKE,
Spokane County, Washington



Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This Bond is one of the City of Liberty Lake General Obligation Bonds, 2002, dated as of July 1, 2002, and described in the within-mentioned Bond Ordinance.

WASHINGTON STATE FISCAL AGENCY,
as Bond Registrar

By _____
Authorized Officer

[Form of Real Estate Note]

PROMISSORY NOTE

\$1,800,000.00

July 1, 2002

(The City has declared this Note to be a tax-exempt obligation under the provisions of the Code)

FOR VALUE RECEIVED, the undersigned City of Liberty Lake, Washington, (hereinafter referred to as "Purchaser") promises to pay to the order of

VALLEY VIEW GOLF COURSE, LLC

(hereinafter referred to as "Seller"), at the address shown below or at such other place as Seller may designate in writing, the principal sum of

One Million Eight Hundred Thousand and No/100 Dollars - - - - - (\$1,800,000.00)

together with interest thereon from and after the date hereof, calculated at the rate of Four and Seventy-Five Hundredth Percent (4.75%) per annum. The first amortized annual installment of principal and interest on this Note, in the amount of \$ _____, will be payable on _____, 2002, and each _____ thereafter to the date of maturity or prior redemption, provided that the final payment may be in such lesser or greater amount as is necessary to fully pay both principal and interest within fifteen (15) years of the date of issuance of the Note.

All payments shall be credited first to accrued interest and the balance to principle. Purchaser shall have the right to prepay the balance in full or any portion thereof without penalty at any time.

This Note is secured by a Deed of Trust upon the real property legally described as:

This Note is to be governed and construed in accordance with the laws of the State of Washington. Venue of any action hereon may be laid in Spokane County, Washington. Oral agreements or oral commitments to loan money, extend credit, or to forebear from enforcing repayment of a debt are not enforceable under Washington law.

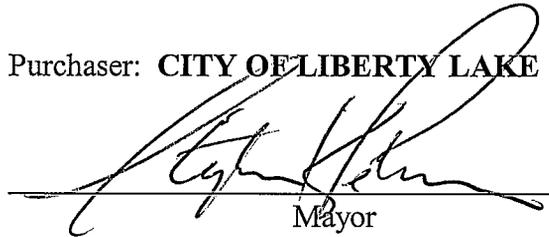
As a municipal corporation of the State of Washington, the City declares that interest on this Note is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder. Except as stated herein, the City makes no claims regarding any federal, state or local tax consequences arising with respect to ownership of the Note.

Payments should be made to the Sellers at:

Valley View Golf Course, LLC [or subsequent designation]

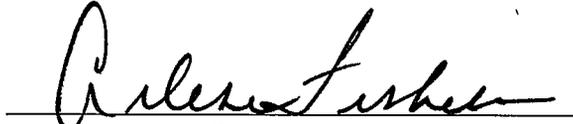
DATED this ____ day of _____, 2002.

Purchaser: **CITY OF LIBERTY LAKE**



Mayor

ATTEST:



City Clerk

[Summary for Publication]

**CITY OF LIBERTY LAKE
Spokane County, Washington**

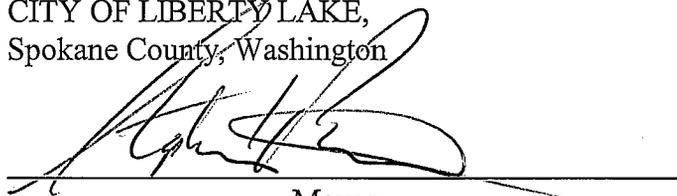
**GENERAL OBLIGATION BONDS - \$800,000
REAL ESTATE NOTE - \$1,800,000**

The Title of Ordinance No. 92, adopted by the City Council of the City of Liberty Lake on June 18, 2002, is as follows:

AN ORDINANCE OF THE CITY OF LIBERTY LAKE, OF SPOKANE COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$800,000 IN ORDER TO OBTAIN FUNDS TO PAY PART OF THE COSTS OF THE ACQUISITION OF REAL PROPERTY FOR MUNICIPAL FACILITIES OF THE CITY; PROVIDING FOR THE ISSUANCE OF A REAL ESTATE NOTE IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$1,800,000; PROVIDING FOR THE SALE OF THE BONDS TO D. A. DAVIDSON & CO., INC., OF SPOKANE, WASHINGTON, AND THE ISSUANCE OF THE NOTE TO THE SELLERS OF REAL PROPERTY TO THE CITY; PROVIDING FOR THE REGISTRATION OF SAID BONDS AND NOTE; CREATING CERTAIN FUNDS FOR SAID BONDS AND NOTE; FIXING THE INTEREST RATE, MATURITY, FORM, TERMS AND COVENANTS OF SAID BONDS AND NOTE; PROVIDING CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; PROVIDING FOR THE EFFECTIVE DATE OF THIS ORDINANCE; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

A copy of the entire Ordinance is on file with the City Clerk and available for review during normal office hours.

CITY OF LIBERTY LAKE,
Spokane County, Washington



Mayor

ATTEST:



City Clerk

(SEAL)

CERTIFICATION OF BOND COUNSEL

I, the undersigned bond counsel to the City of Liberty Lake, of Spokane County, Washington, hereby certify that I have read the attached Summary of Ordinance No. 92, and that the same is true and complete and provides adequate notice to the public of the contents of said Ordinance.

DATED this 18th day of June, 2002.

By _____
Michael C. Ormsby