

ORDINANCE NO. 125

AN ORDINANCE OF THE CITY OF LIBERTY LAKE, OF SPOKANE COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE OF A LIMITED TAX GENERAL OBLIGATION BOND IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$1,200,000 TO PAY PART OF THE COSTS OF ACQUISITION OF AND IMPROVEMENTS TO A NEW CITY HALL FACILITY; PROVIDING FOR THE SALE OF THE BOND TO BANK OF AMERICA, N.A., OF SEATTLE, WASHINGTON; PROVIDING FOR THE REGISTRATION OF SAID BOND; CREATING CERTAIN FUNDS FOR SAID BOND; FIXING THE INTEREST RATE, MATURITIES, FORM, TERMS AND COVENANTS OF SAID BOND; PROVIDING CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; PROVIDING CERTAIN COVENANTS WITH RESPECT TO ONGOING DISCLOSURE; PROVIDING FOR THE EFFECTIVE DATE OF THIS ORDINANCE; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

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

**LIMITED TAX GENERAL OBLIGATION BOND, 2004
Principal Amount of \$1,200,000**

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 35A.40, 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;

WHEREAS, the City Council of the City (the "Council") has determined that it is in the best interests of the residents of the City to acquire, construct and equip a new City Hall facility;

WHEREAS, the Bank of America, N.A., of Seattle, Washington, has offered to purchase the City's limited tax general obligation bond in an amount of not to exceed \$1,200,000 under the terms hereinafter set forth; and

WHEREAS, the City wishes to designate the City Treasurer as the Bond Registrar for the City on this Bond;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LIBERTY LAKE DO ORDAIN 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.

Bond shall mean the hereinafter authorized limited tax general obligation bond in the aggregate principal amount of not to exceed \$1,200,000.

Bond Fund shall mean the "City of Liberty Lake Limited Tax General Obligation Bond – Debt Service 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 Bond.

Bond Registrar shall mean the Treasurer of the City or his/her successor in functions, as now or hereafter designated for the Bond.

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 Council.

City Administrator shall mean the Chief Administrative Officer of the City, appointed by the Council, or his/her successor in function, if any.

City Clerk or **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.

City Hall Capital Project Fund shall mean the "City of Liberty Lake City Hall Capital Project Fund" created by this Ordinance for the purpose of paying a portion of the Costs of the Project associated with the acquisition of a facility and improvements thereto for use as a City Hall, as defined herein.

Code shall mean the Internal Revenue Code of 1986, as amended, and any 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 state, county or federal governments, 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 the Bond;

(6) The costs of funding and short-term financing, revenue warrants, bond anticipation notes 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.

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

Improvement(s) includes the buildings, structures and appurtenances constructed and equipped with the proceeds of the Bond.

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 Bond, shall mean the face amount of the Bond, plus accrued interest, if any, and original issue premium, if any, and less original issue discount, if any.

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

Proposal Letter shall mean the letter dated May 27, 2004 from the Purchaser setting forth the terms upon which it is willing to purchase the Bond, attached hereto as Exhibit "B."

Purchaser means Bank of America, N.A., of Seattle, Washington as Purchaser.

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 of the Bond.

Section 2: THE PROJECT

The City will acquire, contract and install the following improvements, (collectively the "Project"):

A. **Project Description.** The City shall purchase, improve, furnish and equip a new City Hall and related real property, and pay administrative costs, legal fees and all other costs incidental thereto, together with the purchase of all appurtenances and machinery necessary or useful thereto, including the costs of issuance of the Bond and publications.

B. **Project Changes.** The Council may make changes in the above-described Project prior to or in the course of the Project, provided such changes are found necessary and desirable by the Council and that such changes do not substantially affect or alter the plans or the Cost of the Project.

C. **Cost of the Project.** The total Cost of the Project is estimated to be approximately \$1,200,000.00, some or all of which will be financed by the proceeds of the Bond. The balance, if any, will be paid from other legally available funds, including, but not limited to, grant funds from the United States, and/or other legally available sources, including funds of the City.

Section 3: THE BOND

A single bond, designated "City of Liberty Lake Limited Tax General Obligation Bond, 2004" (the "Bond"), in the principal amount of \$1,200,000, is hereby authorized to be issued, sold, and delivered.

The Bond shall be dated as of the date of its delivery, shall be in the principal amount of \$1,200,000 and shall bear interest on the unpaid balance at the fixed rate of four and forty-eight hundredths percent (4.48%) per annum from the date of the Bond until paid, subject to increase in the event of default, as provided in the Proposal Letter. The first installment of principal and interest shall be due and payable on December 1, 2004. Thereafter, the Bond shall be payable in

semiannual installments of principal and interest, each equal to \$54,042.10, on each subsequent June 1 and December 1, to the date of maturity or prior redemption. The final semiannual installment may be in such greater or lesser amount as is necessary to fully pay the balance of principal and interest then remaining unpaid on December 1, 2019. Interest shall be calculated on the basis of twelve 30-day months and a 360-day year. The Bond shall be substantially in the form as set forth in Exhibit "A", attached hereto and by reference made a part hereof.

Section 4: EXECUTION

Without unreasonable delay, the City shall cause a definitive Bond to be prepared, executed and delivered, which Bond shall be printed with lithographed or steel engraved borders. The Bond shall be executed in the name of the City by the manual signature of the Mayor, attested by the manual signature of the City Clerk, and shall have the seal of the City impressed thereon.

The Bond shall then be delivered to the Bond Registrar for registration and delivery to the Purchaser. Only such Bond as shall bear thereon a Registrar's Certificate in the form recited in Exhibit "A" hereto, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Ordinance, and such Registrar's Certificate shall be conclusive evidence that any Bond so registered has been duly executed, registered and delivered hereunder and are entitled to the benefits of this Ordinance.

In case any of the officers who shall have signed or attested to the Bond shall cease to be such officer or officers of the City before the Bond so signed or attested shall have been registered or delivered by the Bond Registrar, or issued by the City, such Bond may nevertheless be registered, delivered and issued and, upon such registration, delivery and issuance, shall be as binding upon the City as though those who signed and attested 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 of the City.

Section 5: PLEDGE OF FAITH AND CREDIT; TAX LEVIES

The Bond is a limited tax general obligation of the City and, as such, the full faith and credit of the City are hereby pledged for its 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 Bond 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 6: REGISTRATION, PLACE AND MANNER OF PAYMENT

(a) Registrar/Bond Register. The City hereby appoints the City Treasurer as Bond Registrar and requests that the Bond Registrar adopt the system of registration set forth herein. The City shall cause a Bond Register to be maintained by the Bond Registrar. So long as any portion of the Bond remains outstanding, the Bond Registrar shall make all necessary provisions to keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration of the Bond 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 Bond, 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 Bond.

(b) Registered Ownership. The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of the Bond 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 Bond 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 Bond to the extent they treat the person in whose name the Bond 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) Transfer or Exchange of Registered Ownership Change in Denominations. The Registrar is authorized to transfer this Bond only to individuals or entities who satisfy the requirements of the Bond Ordinance and have executed a Certificate of Investigation by Purchaser at Private Sale substantially in the form as executed to the initial Purchaser hereof. Upon such transfer, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or bonds at the option of the new Registered Owner) or 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. The Bond Registrar shall not be obligated to transfer or exchange any Bond during the 15 days preceding any payment date.

(d) Place and Medium of Payment. Both principal of and interest shall be paid by check or draft mailed to the Registered Owner at the addresses for such Registered Owner appearing on the Bond Register on the fifteenth day of the month preceding the payment date.

Section 7: PREPAYMENT OF BOND

The Bond is subject to prepayment or redemption, subject to payment of a potential prepayment fee as set forth in the Proposal Letter until the tenth anniversary date of the issuance of this Bond. Thereafter, prepayments of principal of the Bond shall not be subject to any

prepayment fee. The prepayment fee, if any, shall be determined in accordance with Exhibit "D" attached hereto, which is incorporated herein.

Section 8: BOND FUND

There is hereby created, and shall be maintained by the Finance Director, a fund known as the "City of Liberty Lake Limited Tax General Obligation Bond – Bond Fund (330)" (the "Bond Fund") which shall be drawn upon for the sole purpose of paying the principal of and interest on the Bond. 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 9: CITY HALL PROJECT FUND

There is hereby created, and shall be maintained by the Finance Director, a fund designated "City of Liberty Lake City Hall Capital Project Fund (335)" ("City Hall Project Fund" or "Project Fund"), into which shall be deposited the proceeds of the sale of the Bond.

Moneys in the City Hall Fund shall be used for the payment of part of the cost and expense of the Acquisition, improvement and equipping of City Hall. All interest earnings on moneys invested from the Project Fund shall be deposited into the 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 completion of the Project. When the Project is complete, all money remaining in the Project Fund shall be used for other lawful purposes associated with City Hall.

Section 10: PROVISION FOR DEFEASANCE OF THE BOND

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 Bond in accordance with its 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 Bond so provided for and such Bond 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 Bond shall no longer be deemed to be outstanding hereunder.

Section 11: SALE OF BOND

The City hereby authorizes and approves the sale of the Bond to the Purchaser in accordance with the terms and conditions set forth in the Proposal Letter.

The City Administrator, the Finance Director and Preston Gates & Ellis LLP, bond counsel, are hereby further authorized to do everything necessary for the prompt execution and delivery of the Bond to the Purchaser and for the proper application and use of the proceeds of the sale thereof, including executing such certificates and receipts as may be necessary to properly document the issuance of the Bond and disbursing the proceeds of the Bond. This Ordinance and the Proposal Letter shall, upon delivery of the Bond to the Purchaser, be deemed a binding contract of the City with the Purchaser, and the City shall comply with all terms and conditions thereof. The City shall reimburse the Purchaser for its legal fees incurred in connection with the purchase of the Bond, in the amount of \$1,000.

Section 12: TAX COVENANTS; SPECIAL DESIGNATION

A. **Tax Covenants:** The City hereby covenants that it will not make any use of the proceeds of sale of the Bond or any other funds of the City which may be deemed to be proceeds of such Bond pursuant to Section 148 of the Code which will cause the Bond to be "arbitrage Bond" 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 Bond) throughout the term of the Bond. The City hereby further covenants that it will not take any action or permit any action to be taken that would cause the Bond to constitute "private activity Bond" under Section 141 of the Code.

B. **Special Designation:** The Bond is hereby designated as a "Qualified Tax Exempt Obligation" for purposes of Section 265(b) of the Code. The City covenants not to issue tax-exempt obligations in an aggregate principal amount in excess of \$10,000,000 during the 2004 calendar year.

Section 13: ONGOING DISCLOSURE

The City is exempt from Ongoing Disclosure requirements inasmuch as the City's Bond is being sold in the form of a single bond to a sophisticated purchaser prepared to execute a Certificate of Investigation by Purchaser at Private Sale.

Section 14: 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 Bond.

Section 15: 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 Bond, are hereby in all respects ratified, approved, and confirmed.

Section 16: REPEALER

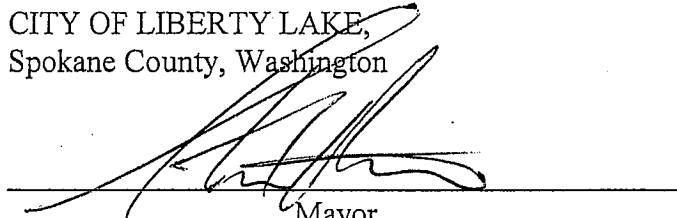
All ordinances or parts thereof in conflict herewith, to the extent of such conflict, are hereby repealed.

Section 17: EFFECTIVE DATE

This Ordinance shall be in effect from and after its adoption and publication of the title hereof, substantially in the form attached hereto as Exhibit "C", incorporated herein by reference, as provided by RCW 35A.12.120.

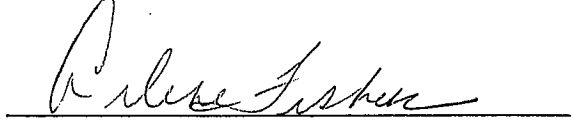
Passed, under suspension of the rules, at a regular meeting of the City Council of the City of Liberty Lake held on the 1st day of June, 2004, upon which a roll call vote was duly taken and duly enacted.

CITY OF LIBERTY LAKE,
Spokane County, Washington



Mayor

ATTEST:



City Clerk

(SEAL)

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 1, 2004, 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 1, 2004.

CITY OF LIBERTY LAKE

Paulene Fisher

City Clerk

(SEAL)

EXHIBIT "A"

[Form of Bond]

SINGLE BOND

\$1,200,000

UNITED STATES OF AMERICA
STATE OF WASHINGTON
COUNTY OF SPOKANE

CITY OF LIBERTY LAKE
LIMITED TAX GENERAL OBLIGATION BOND, 2004

(The City has designated the Bond as
a "Qualified Tax-Exempt Obligation")

See Reverse Side for Additional Provisions

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$1,200,000.00	4.48%	December 1, 2019

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

BANK OF AMERICA, N.A., of Seattle, Washington

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 Limited Tax General Obligation Bond – Debt Service Fund from June 11, 2004, or the most recent date to which interest has been paid or duly provided for, at the rate per annum specified above, payable in semiannual payments of principal and interest, each equal to \$54,042.10, commencing on December 1, 2004, and continuing on each June 1 and December 1 thereafter, until the Maturity Date specified above, when all remaining principal and accrued interest shall be due and payable in full, or any date of prior redemption of the Bond. Interest shall be calculated on the basis of twelve 30-day months and a 360-day year.

Reference is hereby made to additional provisions of this Bond 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 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 and resolutions of the City, specifically the Ordinance No. 125 of the City, adopted on June 1, 2004, (the "Bond Ordinance"), and that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have happened, been done and performed.

IN WITNESS WHEREOF, the City has caused this Bond to be 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 11th day of June, 2004.

CITY OF LIBERTY LAKE, Washington

/s/ Manual Signature

Mayor

ATTEST:

/s/ Manual Signature

City Clerk

(S E A L)

(Reverse Side of Bond)

ADDITIONAL PROVISIONS

This Bond is issued pursuant to and in full compliance with the Constitution and laws of the State of Washington, 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 prepay all or part of the Bond in accordance with the terms set forth in the Bond Ordinance.

The Bond is issued by the City in the aggregate principal amount of not to exceed \$1,200,000 for the purpose of paying the cost of acquiring, improving and equipping a new City Hall facility.

To provide for the payment of the Bond, the City has pledged its full faith and credit for the payment of the Bond, 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.

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.

LEGAL OPINION

I, the undersigned City 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 Bond described therein, was delivered to me on said date, and is now part of the permanent records of the City.

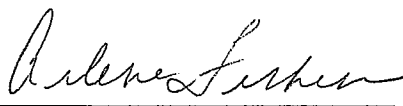
CITY OF LIBERTY LAKE,
Spokane County, Washington

/s/ Manual Signature
City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

Date of Authentication and Registration: June 15th, 2004.

This Bond is the City of Liberty Lake Limited Tax General Obligation Bond, 2004, dated June 15th, 2004, described in the within-mentioned Bond Ordinance, and registered as follows:

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of Registrar</u>
June 11, 2004	Bank of America, N.A. WA1-501-34-03 800 5 th Avenue, 34 th Floor Seattle, WA 98104	 _____ City Treasurer

Transfer Restriction

The Registrar is authorized to transfer this Bond only to individuals or entities who satisfy the requirements of the Bond Ordinance and have executed a Certificate of Investigation by Purchaser at Private Sale substantially in the form as executed to the initial Purchaser hereof.

EXHIBIT "B"

[Insert Proposal Letter]

May 27, 2004

Arlene Fisher
Finance Director
City of Liberty Lake
PO Box 370
Liberty Lake WA 99019

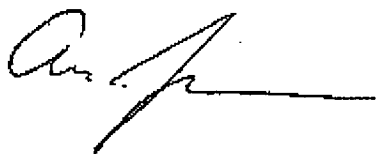
RE: Proposed \$1,200,000 Limited Tax General Obligation Bond

Dear Ms. Fisher,

On behalf of Bank of America, N.A., I am pleased to submit a revised proposal to provide permanent financing for the for the purchase of a City Hall as more fully set forth in the attached summary of terms and conditions.

Very truly yours,

BANK OF AMERICA, N.A.

A handwritten signature in black ink, appearing to read "Alex Johnston", with a long horizontal flourish extending to the right.

Alex Johnston
Senior Vice President

Cc: Mr. Michael Ormsby
Mr. Alan Schulkin

SUMMARY OF TERMS AND CONDITIONS
Liberty Lake, Washington
May 27, 2004

(For Discussion Purposes Only)

BORROWER: Liberty Lake, Washington (the "City").

LENDER: Bank of America, N.A. ("Bank of America").

CREDIT FACILITY: \$1,200,000 tax-exempt bank qualified Limited Tax General Obligation Bond (the "Credit Facility").

PURPOSE: The proceeds of the Credit Facility shall be used to finance the purchase of a City Hall, and to pay for costs of financing.

INTEREST RATE: **4.48% calculated on a 30/360 day basis.**

FEES AND EXPENSES: Borrower will reimburse Bank of America's attorney's fees, estimated to be \$1,000, incurred in connection with documentation and closing of the Credit Facility. The City will pay the fees of its Bond Counsel.

REPAYMENT/MATURITY: The credit facility will close on June 11, 2004. Semi annual payments of principal and interest of \$54,042.10 each December 1 and June 1 with the first payment December 1, 2004.

Final maturity of December 1, 2019

PREPAYMENTS: Allowable any time with five days advance notice. Prepayment of a fixed rate loan under this Credit Facility prior to its scheduled maturity may result in the imposition of a prepayment penalty. The calculation of such prepayment penalty shall include any loss or expense that Bank of America may incur or sustain as a result of such prepayment

REPRESENTATIONS AND WARRANTIES: Usual and customary for transactions of this type. In addition, Borrower to provide a legal opinion of nationally recognized bond counsel, in form and substance acceptable to Bank and its legal counsel, that (i) the resolution and all documents related to the Credit Facility have been properly adopted, authorized and executed; and (ii) the resolution and all documents related to the Credit Facility constitute a legally binding obligation of the Borrower, payable from the security and enforceable according to their terms (subject to standard exceptions).

COVENANTS: Usual and customary for transactions of this type.

REPORTING REQUIREMENTS: Financial Information from Borrower. Borrower to provide financial information and statements in form and content acceptable to Bank of America indicated below:

- Within 270 days of the Borrower's fiscal year end, the audited annual financial statements for Borrower.
- Within 45 days of adoption, the annual budget for Borrower.

EVENTS OF DEFAULT: Usual and customary in transactions of this type.

EXHIBIT "B" –
Proposal Letter

If an event of default occurs due to nonpayment of principal, interest, fees or other amounts when due, then Bank of America may increase the interest rate by two percent (2.0%).

**GOVERNING
LAW/ARBITRATION:
OTHER:**

State of Washington.

This proposal is subject to the satisfactory review by the Bank's counsel of documents including the Resolution and Bond as well an approving legal opinion of the City's bond counsel. This proposal expires on June 30, 2004

**FOR DISCUSSION
PURPOSES
ONLY:**

This Summary of Terms and Conditions does not constitute a commitment to lend by Bank of America or any of its affiliates and is presented for discussion purposes only. The actual terms and conditions upon which Bank of America may extend credit to Borrower is subject to satisfactory completion of due diligence, necessary credit approval and such other terms and conditions as determined by Bank of America, in its sole discretion.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

EXHIBIT "C"

[Summary for Publication]

CITY OF LIBERTY LAKE
Spokane County, Washington

LIMITED TAX GENERAL OBLIGATION BOND, 2004
Principal Amount of \$1,200,000

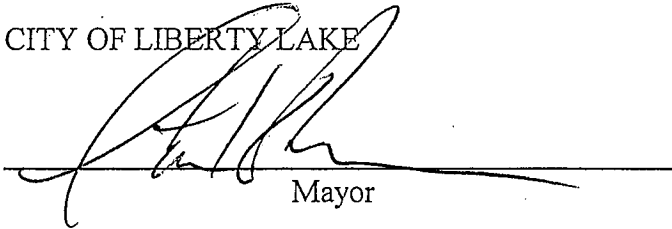
The Title of Ordinance No. 125, adopted by the City Council of the City of Liberty Lake on June 1, 2004, is as follows:

ORDINANCE NO. 125

AN ORDINANCE OF THE CITY OF LIBERTY LAKE, OF SPOKANE COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION BOND IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$1,200,000 TO PAY PART OF THE COSTS OF ACQUISITION OF AND IMPROVEMENTS TO A NEW CITY HALL FACILITY; PROVIDING FOR THE SALE OF THE BOND TO BANK OF AMERICA, N.A., OF SEATTLE, WASHINGTON; PROVIDING FOR THE REGISTRATION OF SAID BOND; CREATING CERTAIN FUNDS FOR SAID BOND; FIXING THE INTEREST RATE, MATURITIES, FORM, TERMS AND COVENANTS OF SAID BOND; PROVIDING CERTAIN COVENANTS WITH RESPECT TO FEDERAL TAX LAW; PROVIDING CERTAIN COVENANTS WITH RESPECT TO ONGOING DISCLOSURE; PROVIDING FOR THE EFFECTIVE DATE OF THIS ORDINANCE; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

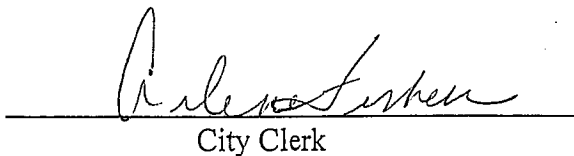
A copy of the entire Ordinance is on file with the City Clerk and available for review during normal office hours.

CITY OF LIBERTY LAKE



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. 125 and that the same is true and complete and provides adequate notice to the public of the contents of said Ordinance.

DATED this 1st day of June, 2004.

By _____ /s/ Michael C. Ormsby
Michael C. Ormsby

EXHIBIT "D"

Prepayment Fee – Breakfunding

(Initial Cost of Funds Rate / Treasury Rate)

The Prepayment Fee shall be the sum of fees calculated separately for each Prepaid Installment, as follows:

- (1) Determine the amount of interest which would have accrued each month for the Prepaid Installment, had it remained outstanding until the applicable Original Payment Date at the Initial Cost of Funds Rate applicable to the Prepaid Installment;
- (2) Subtract from each monthly interest amount determined in (1) above, the amount of interest that would accrue for that Prepaid Installment if it were reinvested from the date of prepayment through the Original Payment Date, at the Treasury Rate;
- (3) If (1) above, minus (2) above, for the Prepaid Installment is greater than zero, discount the monthly difference to the date of prepayment by the Treasury Rate. The sum of the discounted monthly differences is the prepayment fee for that Prepaid Installment, plus
- (4) An amount equal to all costs and expenses (subject to a cap of \$200) Bank reasonably expects to incur in liquidation and reinvestment of such prepaid funds.

For purposes of this Section, the capitalized terms used herein and not otherwise defined have the following meanings:

- (1) "Banking Day" means a day, other than a Saturday or a Sunday, on which Bank is open for business for banking functions in Washington.
- (2) "Initial Cost of Funds Rate" means the fixed interest rate of interest per annum representing Borrower's cost of purchasing funds, or the cost of purchasing and exchanging funds through swaps or other derivative products, for an amount and under terms reflecting the characteristics of the Prepaid Installment from the date the Bond shall begin to bear interest at the Note Rate through the Maturity Date.
- (3) "Original Payment Dates" means the dates on which principal of the Bond would have been paid if there had been no prepayment. If a portion of the principal would have been paid later than the end of the interest period in effect at the time of prepayment, then the Original Payment Date for that portion shall be the last day of the Interest Period.
- (4) "Prepaid Installment" means the portion of the prepaid principal of the Bond that would have been paid on a single Original Payment Date.

(5) Treasury Rate" means the interest rate yield for U.S. Government Treasury Securities that the Bank determines could be obtained by reinvesting a specified Prepaid Installment in such securities from the date of prepayment through the Original Payment Date.

Bank may adjust the Treasury Rate and Initial Cost of Funds Rate to reflect the difference between the terms of such investments and the terms of the Bond, such as compounding, accrual basis, or other costs and terms. Each of the rates is Bank's estimate only, and Bank is under no obligation to actually reinvest any prepayment. The rates shall be based on information from either the Telerate or Reuters information services, The Wall Street Journal, or other information sources the Bank deems appropriate.