

CITY OF MARYSVILLE AGENDA BILL

EXECUTIVE SUMMARY FOR ACTION

CITY COUNCIL MEETING DATE: 3/24/14

AGENDA ITEM: Underwriting Engagement Disclosure Letter Regarding LID 71 Bonds	
PREPARED BY: Sandy Langdon, Finance Director/City Clerk	DIRECTOR APPROVAL:
DEPARTMENT: Finance	
ATTACHMENTS: Engagement Disclosure Letter Resolution 2348	
BUDGET CODE:	AMOUNT:

SUMMARY:

With Local Improvement District No. 71 in its final stages we begin to prepare for the issuance of bonds to pay off the Bond Anticipation Note.

To assist with the issuance, as per the Debt Policy (Resolution 2348-section 5.5.4) we solicited the services of an underwriter through the Request for Proposal (RFP) process. There were three submittals that were reviewed and interviewed. D.A. Davidson & Co. provided the best proposal.

RECOMMENDED ACTION:
Staff recommends Council authorize the Mayor to sign the D.A. Davidson & Co. Underwriting Engagement Disclosure Letter Regarding LID No. 71 Bonds

March ~~1924~~, 2014

Ms. Sandy Langdon
Finance Director
City of Marysville
1049 State Ave.
Marysville, WA 98270

Re: Underwriting Engagement Disclosure Letter
City of Marysville, Washington
Local Improvement District No. 71 Bonds

Dear Sandy,

On behalf of D.A. Davidson & Co. (“we” or “Davidson”), we wish to thank you for the opportunity to serve as underwriter for City of Marysville (“Issuer”) on its proposed offering and issuance of Local Improvement District No. 71 Bonds (the “Securities”). This letter will confirm the initial terms of our engagement; however, it is anticipated that this letter will be replaced and superseded by a bond purchase agreement to be entered into by the parties (the “Purchase Agreement”) if and when the Securities are priced following successful completion of the offering process.

1. Services to be Provided by Davidson. The Issuer hereby engages Davidson to serve as managing underwriter of the proposed offering and issuance of the Securities, and in such capacity Davidson agrees to provide the following services:

- Review and evaluate the proposed terms of the offering and the Securities
- Develop a marketing plan for the offering, including identification of potential investors
- Contact potential investors, provide them with Issuer approved offering-related information, respond to their inquiries and, if requested, coordinate their due diligence sessions
- Consult with bond counsel, financial advisor, and other service providers about the offering and the terms of the Securities
- Inform the Issuer of the marketing and offering process
- Subject to Issuer approval, negotiate the pricing, including the interest rate, and other terms of the Securities

- Obtain CUSIP number(s) for the Securities and arrange for their DTC book-entry eligibility
- Assist the City's financial advisor in planning and arranging for the closing and settlement of the issuance and the delivery of the Securities
- Such other usual and customary underwriting services as may be requested by the Issuer

Davidson may provide incidental financial advisory services, including advice as to the structure, timing, terms and other matters concerning the issuance of the Securities. Davidson is required to make the following disclosure pursuant to MSRB Rule G-23: Davidson will be providing such services in its capacity as underwriter and not as a financial advisor to the Issuer. As underwriter, Davidson will not be required to purchase the Securities except pursuant to the terms of the Purchase Agreement, which will not be signed until successful completion of the pre-sale offering period. This letter does not obligate Davidson to purchase any of the Securities.

2. No Advisory or Fiduciary Role. The Issuer acknowledges that: (i) the primary role of Davidson, as an underwriter, is to purchase Securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Davidson and that Davidson has financial and other interests that may differ from those of the issuer; (ii) Davidson is not acting as a municipal advisor, financial advisor, or fiduciary to the Issuer and has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether Davidson has provided other services or is currently providing other services to the Issuer on other matters); and (iii) the Issuer has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

In addition, the Issuer acknowledges receipt of certain regulatory disclosures as required by the Municipal Securities Rulemaking Board that are attached to this agreement as Exhibit A. Issuer further acknowledges that Davidson may be required to supplement or make additional disclosures as may be necessary as the specific terms of the transaction progress.

3. Fees and Expenses. Davidson's proposed underwriting fee/spread will be .625% of the principal amount of the Securities issued. The underwriting fee/spread will represent the difference between the price that Davidson pays for the Securities and the public offering price stated on the cover of the final official statement. The Issuer shall be responsible for paying all other costs of issuance, including without limitation, bond counsel, financial advisor, ratings agency (if any), underwriter's counsel and all other expenses incident to the performance of the Issuer's obligations under the proposed offering. Davidson agrees that if the Securities are not issued, Davidson will not be reimbursed for fees and expenses.

4. Term and Termination. The term of this engagement shall extend from the date of this letter to the closing of the offering of the Securities. Notwithstanding the forgoing, either party may terminate Davidson's engagement at any time without liability of penalty upon at least 10 days' prior written notice to the other party.

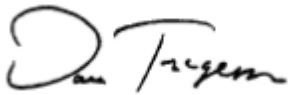
65. Miscellaneous. This letter shall be governed and construed in accordance with the laws of the State of Washington. This ~~Agreement-engagement letter~~ may not be amended or modified except by means of a written instrument executed by both parties hereto. It is anticipated that this letter will be replaced by a Purchase Agreement which shall be substantially in the form attached as Exhibit B. This ~~Agreement-letter~~ may not be assigned by either party without the prior written consent of the other party.

If there is any aspect of this ~~Agreement-letter~~ that you believe requires further clarification, please do not hesitate to contact us. If the foregoing is consistent with your understanding of our engagement, please sign and return the enclosed copy of this letter.

Again, we thank you for the opportunity to assist you with your proposed financing and the confidence you have placed in us.

Very truly yours,

D.A.DAVIDSON & CO.



By: _____

Title: Managing Director

This Letter and Agreement is hereby accepted for and on behalf of the City of Marysville on this ___ day of March, 2014.

By: _____

Title: Finance Director

EXHIBIT A

D.A. Davidson & Co. (hereinafter referred to as “Davidson” or “underwriter”) intends/ proposes to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as sole underwriter, Davidson may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

Disclosures Concerning the Underwriters Role:

- (i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.
- (ii) The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length transaction with the Issuer. The underwriters financial and other interests ~~that~~ may differ from those of the Issuer.
- (iii) Unlike a municipal advisor, the underwriters do not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.
- (iv) The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.

Disclosures Concerning the Underwriters Compensation:

As underwriter, Davidson will be compensated by ~~a fee and/or~~ an underwriting discount that is described in the engagement letter and that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Additional Conflicts Disclosure:

Davidson has not identified any additional potential or actual material conflicts that require disclosure but will disclose any other conflict which it becomes aware of during the course of its engagement.

Risk Disclosures Pursuant to MSRB Rule G-17 - Fixed Rate Bonds

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds (“Fixed Rate Bonds”), as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Bonds.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance. The maturity date is expected to be 22 years (assuming a 20-year assessment roll) from the date of issuance. Interest on the Fixed Rate Bonds anticipated to be paid annually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity to take advantage of any assessment prepayments. The bonds ~~may~~ also be subject to mandatory redemption from assessment prepayments.

For any optional redemption, you will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.

Local Improvement District Bonds. Pledge of Assessment Payments. Assessments collected in the LID, together with interest and penalties, if any, are pledged to the payment of the Bonds which are payable solely out of the Bond Fund, the Local Improvement Guaranty Fund of the City, in the manner provided by law. The Bonds are not general obligations of the City.

The description above regarding "Security" is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following:

Issuer Default Risk. You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds may be able to exercise a range of available remedies against you. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk. Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions and LID considerations. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk. If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

Reinvestment Risk. You may have proceeds of the bonds to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as “negative arbitrage”.

Tax Compliance Risk. The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds.

The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

March 24, 2014

Ms. Sandy Langdon
Finance Director
City of Marysville
1049 State Ave.
Marysville, WA 98270

Re: Underwriting Engagement Disclosure Letter
City of Marysville, Washington
Local Improvement District No. 71 Bonds

Dear Sandy,

On behalf of D.A. Davidson & Co. (“we” or “Davidson”), we wish to thank you for the opportunity to serve as underwriter for City of Marysville (“Issuer”) on its proposed offering and issuance of Local Improvement District No. 71 Bonds (the “Securities”). This letter will confirm the initial terms of our engagement; however, it is anticipated that this letter will be replaced and superseded by a bond purchase agreement to be entered into by the parties (the “Purchase Agreement”) if and when the Securities are priced following successful completion of the offering process.

1. Services to be Provided by Davidson. The Issuer hereby engages Davidson to serve as managing underwriter of the proposed offering and issuance of the Securities, and in such capacity Davidson agrees to provide the following services:

- Review and evaluate the proposed terms of the offering and the Securities
- Develop a marketing plan for the offering, including identification of potential investors
- Contact potential investors, provide them with Issuer approved offering-related information, respond to their inquiries and, if requested, coordinate their due diligence sessions
- Consult with bond counsel, financial advisor, and other service providers about the offering and the terms of the Securities
- Inform the Issuer of the marketing and offering process
- Subject to Issuer approval, negotiate the pricing, including the interest rate, and other terms of the Securities

- Obtain CUSIP number(s) for the Securities and arrange for their DTC book-entry eligibility
- Assist the City's financial advisor in planning and arranging for the closing and settlement of the issuance and the delivery of the Securities
- Such other usual and customary underwriting services as may be requested by the Issuer

Davidson may provide incidental financial advisory services, including advice as to the structure, timing, terms and other matters concerning the issuance of the Securities. Davidson is required to make the following disclosure pursuant to MSRB Rule G-23: Davidson will be providing such services in its capacity as underwriter and not as a financial advisor to the Issuer. As underwriter, Davidson will not be required to purchase the Securities except pursuant to the terms of the Purchase Agreement, which will not be signed until successful completion of the pre-sale offering period. This letter does not obligate Davidson to purchase any of the Securities.

2. No Advisory or Fiduciary Role. The Issuer acknowledges that: (i) the primary role of Davidson, as an underwriter, is to purchase Securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Davidson and that Davidson has financial and other interests that may differ from those of the issuer; (ii) Davidson is not acting as a municipal advisor, financial advisor, or fiduciary to the Issuer and has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether Davidson has provided other services or is currently providing other services to the Issuer on other matters); and (iii) the Issuer has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

In addition, the Issuer acknowledges receipt of certain regulatory disclosures as required by the Municipal Securities Rulemaking Board that are attached to this agreement as Exhibit A. Issuer further acknowledges that Davidson may be required to supplement or make additional disclosures as may be necessary as the specific terms of the transaction progress.

3. Fees and Expenses. Davidson's proposed underwriting fee/spread will be .625% of the principal amount of the Securities issued. The underwriting fee/spread will represent the difference between the price that Davidson pays for the Securities and the public offering price stated on the cover of the final official statement. The Issuer shall be responsible for paying all other costs of issuance, including without limitation, bond counsel, financial advisor, ratings agency (if any), underwriter's counsel and all other expenses incident to the performance of the Issuer's obligations under the proposed offering. Davidson agrees that if the Securities are not issued, Davidson will not be reimbursed for fees and expenses.

4. Term and Termination. The term of this engagement shall extend from the date of this letter to the closing of the offering of the Securities. Notwithstanding the forgoing, either party may terminate Davidson's engagement at any time without liability of penalty upon at least 10 days' prior written notice to the other party.

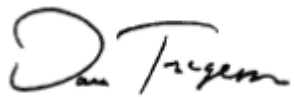
5. Miscellaneous. This letter shall be governed and construed in accordance with the laws of the State of Washington. This engagement letter may not be amended or modified except by means of a written instrument executed by both parties hereto. It is anticipated that this letter will be replaced by a Purchase Agreement which shall be substantially in the form attached as Exhibit B. This letter may not be assigned by either party without the prior written consent of the other party.

If there is any aspect of this letter that you believe requires further clarification, please do not hesitate to contact us. If the foregoing is consistent with your understanding of our engagement, please sign and return the enclosed copy of this letter.

Again, we thank you for the opportunity to assist you with your proposed financing and the confidence you have placed in us.

Very truly yours,

D.A.DAVIDSON & CO.

By:  _____

Title: Managing Director

This Letter and Agreement is hereby accepted for and on behalf of the City of Marysville on this ___ day of March, 2014.

By: _____

Title: Finance Director

EXHIBIT A

D.A. Davidson & Co. (hereinafter referred to as “Davidson” or “underwriter”) intends/ proposes to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as sole underwriter, Davidson may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

Disclosures Concerning the Underwriters Role:

- (i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.
- (ii) The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length transaction with the Issuer. The underwriters financial and other interests may differ from those of the Issuer.
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Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity to take advantage of any assessment prepayments. The bonds may also be subject to mandatory redemption from assessment prepayments.

For any optional redemption, you will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.

Local Improvement District Bonds. Pledge of Assessment Payments. Assessments collected in the LID, together with interest and penalties, if any, are pledged to the payment of the Bonds which are payable solely out of the Bond Fund, the Local Improvement Guaranty Fund of the City, in the manner provided by law. The Bonds are not general obligations of the City.

The description above regarding "Security" is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following:

Issuer Default Risk. You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds may be able to exercise a range of available remedies against you. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk. Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions and LID considerations. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk. If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

Reinvestment Risk. You may have proceeds of the bonds to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as “negative arbitrage”.

Tax Compliance Risk. The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds.

The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

EXHIBIT B
CITY OF MARYSVILLE
LOCAL IMPROVEMENT DISTRICT NO. 71 BONDS
\$ _____

BOND PURCHASE AGREEMENT

_____, 2014

City of Marysville
Marysville, Washington

Ladies and Gentlemen:

D.A. Davidson & Co. (the “Underwriter”) offers to enter into this Bond Purchase Agreement (the “Agreement”) with the City of Marysville, Washington (the “City”), regarding \$ _____ aggregate principal amount of the City’s Local Improvement District No. 71 Bonds (the “Bonds”), which upon acceptance of this offer by the City will be binding upon the City and the Underwriter. This offer is made subject to the Underwriter’s receipt of the documents described herein and to the City’s acceptance by executing this Agreement and delivering it to the Underwriter at or prior to 11:00 p.m. Pacific Time on the date hereof. If not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to acceptance hereof by the City. Upon acceptance of this offer in accordance with its terms, this Agreement will constitute a binding contract between the City and the Underwriter.

Unless otherwise defined herein, all capitalized terms used in this Agreement have the meanings given them in the Bond Ordinance (as defined in Section 3 of this Agreement) or in the Official Statement (as defined in Section 3 of this Agreement) if not defined in the Bond Ordinance.

The City and the Underwriter hereby agree as follows:

1. PURCHASE AND SALE

On the terms and conditions and on the basis of the representations, warranties and covenants herein set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to execute, sell and deliver to the Underwriter, all (but not less than all) of the Bonds. Proceeds of the Bonds shall be used to (i) finance the cost of improvements within the Local Improvement District No. 71 (“LID No. 71”), including without limitation repayment of a bond anticipation note of the City issued to provide interim financing for those costs, (ii) make a deposit to the Local Improvement Guaranty Fund, and (iii) pay costs of issuing the Bonds.

The Bonds will be dated the date of their initial delivery to the Underwriter and are anticipated to be delivered to the Underwriter on _____, 2014. The Bonds shall be fully registered as to both principal and interest, shall bear interest at the rates per annum calculated in

such manner, payable as to principal and interest and with redemption provisions and other terms and provisions as set forth in the Bond Ordinance and as described on Exhibit A attached hereto.

The purchase price for the Bonds is \$_____, representing the par amount of the Bonds, plus/less original issue premium/discount of \$_____, and less an underwriting discount of \$_____.

Public Financial Management, Inc. (the "Financial Advisor") has informed the City that the yield and price for the Bonds reflect market conditions at the time the Bonds were priced and the Underwriter's compensation is consistent with compensation for other bond issues of similar size and credit.

2. CLOSING

Subject to the terms and conditions hereof, the delivery of the Bonds and payment of the purchase price therefor (the "Closing") will take place at the offices of Foster Pepper PLLC in Seattle, Washington, at 8:30 a.m., Pacific Time, on May __, 2014, or at such other time or place, or on such other day, as the Underwriter and the City shall agree. At the Closing:

(a) the City shall deliver to the Underwriter (i) the Bonds, as provided in clause (c) of this section, and (ii) the other instruments and documents required to be delivered pursuant to Section 5(f) hereof;

(b) the purchase price for the Bonds shall be paid to the City in federal funds (by wire transfer or by any combination of one or more wire transfers as may be agreeable to the City and the Underwriter); and

(c) the Bonds initially shall be held in fully registered form by The Depository Trust Company ("DTC") acting as depository pursuant to the terms and conditions set forth in the City's Blanket Issuer Letter of Representations with DTC. The Bonds will be issued initially as a single bond representing the aggregate principal amount of the sole maturity of the Bonds and be registered in the name of Cede & Co., as the nominee of DTC. The Bonds shall be delivered to the Bond Registrar as agent for DTC in accordance with DTC's Fast Automated Securities Transfer procedures, unless an alternate arrangement is made between the parties. The Bonds delivered hereunder shall bear proper CUSIP numbers to be obtained by the Underwriter (provided, however, that neither the printing of an incorrect CUSIP number on any Bond nor the failure to print the CUSIP number thereon shall constitute cause for the Underwriter to refuse delivery of any Bond).

3. DELIVERIES TO BE MADE UPON ACCEPTANCE; DELIVERY OF OFFICIAL STATEMENT

At or prior to the time of the execution of this Agreement, the City shall deliver to the Underwriter (a) copies of Ordinance No. _____ of the City authorizing the issuance of the Bonds and the sale of the Bonds to the Underwriter, certified by the City Clerk to have been duly passed and to be in full force and effect as of the date hereof (the "Bond Ordinance"), (b) an electronic version of the Preliminary Official Statement of the City dated _____, 2014 (the "Preliminary Official Statement"), relating to the Bonds, which, together with the cover and

inside cover pages thereof and all appendices, exhibits, reports and statements included therein or attached thereto and such amendments or supplements thereto as shall have been approved by the Underwriter as of the date hereof, is hereinafter referred to as the “Official Statement,” and (c) a certificate of the City’s Finance Director (as the Designated Representative of the City under the Bond Ordinance), in substantially the form set forth on Exhibit B attached hereto, “deeming final” the Preliminary Official Statement except as to certain specified items.

As soon as possible, but in any event no more than seven business days after the time of the City’s acceptance hereof and at least three business days prior to the Closing, the City must deliver to the Underwriter a reasonable number of hard copies of the Official Statement, if one is printed, and the final electronic copy of the Official Statement (in the form of the Preliminary Official Statement with such changes as have been approved by the Underwriter) as required to permit the Underwriter to comply with the requirements of the Municipal Securities Rulemaking Board (“MSRB”) and Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), including but not limited to the requirement that the Official Statement be filed by the Underwriter with the MSRB. The City hereby ratifies, approves and confirms the distribution and use of the Preliminary Official Statement by the Underwriter and authorizes the Underwriter to use and distribute the Official Statement in connection with the public offering and sale of the Bonds.

If, from the date of this Agreement and up to and including 25 days after the “end of the underwriting period” (as such term is defined in Rule 15c2-12), any event occurs or any preexisting fact becomes known by the City that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall promptly notify the Underwriter, and if, in the reasonable opinion of the Underwriter, such event requires preparation and distribution of a supplement or amendment to the Official Statement, the City will, at its expense, supplement or amend the Official Statement in a form and in a manner approved by the Underwriter, which approval may not be unreasonably withheld. The end of the underwriting period will be the date of the Closing unless the Underwriter informs the City otherwise in writing. If the Official Statement is supplemented or amended pursuant to this subsection, as of the date of each supplement or amendment thereto, to the best of the City’s knowledge after due review and investigation, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit or fail to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. REPRESENTATIONS AND WARRANTIES OF THE CITY

The City hereby represents and warrants to the Underwriter, and (as applicable) covenants to the Underwriter, as follows:

(a) The City is a municipal corporation, duly organized and existing under the laws and constitution of the State of Washington (the “State”). The City has all requisite legal right, power and authority (i) to enter into this Agreement, (ii) to pass the Bond Ordinance, (iii) to execute, issue, sell and deliver the Bonds as provided herein and to perform its obligations with respect thereto, (iv) to execute, deliver and perform this Agreement, (v) to execute and

deliver the Official Statement, (vi) to undertake the improvements financed by LID No. 71, (vii) to apply the Bond proceeds for the purposes described in the Official Statement, and (viii) to consummate the transactions to which it is or is to be a party as described in this Agreement, the Bond Ordinance, the Bonds and the Official Statement. The City, by all necessary action on its part, has duly authorized (i) the execution, delivery and performance of this Agreement and the Bonds, (ii) the passage of the Bond Ordinance and the issuance of the Bonds thereunder, (iii) the approval, execution and delivery of the Official Statement by the City and the Underwriter's use of the Official Statement, and (iv) the pledge by the Bond Ordinance of (A) assessments collected from LID No. 71 and (B) the Local Improvement Guaranty Fund to pay and secure payment of the Bonds, and (v) the consummation by the City of the transactions to which it is or is to be a party as contemplated by this Agreement, the Bond Ordinance, the Bonds and the Official Statement.

(b) The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction between the City and the Underwriter, (ii) in connection with this transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City, (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the City with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the City on other matters) or any other obligation to the City except the obligations expressly set forth in this Agreement, (iv) the City has consulted with its own legal and financial advisors to the extent it has deemed appropriate in connection with the sale of the Bonds, and (v) the Underwriter has financial and other interests that differ from those of the City.

(c) The Bond Ordinance authorizes the City to enter into a written agreement or contract constituting an undertaking to provide ongoing disclosure about the Bonds, the City and LID No. 71 for the benefit of the owners of the Bonds as required by paragraph (b)(5)(i) of Rule 15c2-12 and in the form discussed in the Official Statement.

(d) This Agreement, the Official Statement, and the Bonds (when delivered and paid for at the Closing) have been or at the Closing shall be duly authorized, approved, executed, delivered and (in the case of the Bonds) registered and issued. This Agreement constitutes, and the Bonds, when registered, issued, executed and delivered, will constitute, legal, valid and binding obligations of the City, enforceable in accordance with their terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights.

(e) The City is not in breach of, or in default under, any indenture, bank loan or credit agreement, bond or note, nor is the City in default under any statute, ordinance, resolution or (in any material respect) any other agreement or instrument, regulation, order, decree, license, permit, judgment, ruling or law or constitutional provision to which the City is a party, which breach or default would adversely affect the validity or enforceability of the Bonds.

(f) The adoption of the Bond Ordinance, the execution, delivery and performance of this Agreement, the issuance and sale of the Bonds and the consummation of the transactions contemplated hereby and by these documents will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement,

indenture, bond, note, statute, ordinance, resolution or other instrument to which the City is a party or to which it is bound or subject.

(g) Except as described in the Official Statement, no litigation or other action, suit, proceeding, inquiry or investigation before or by any court or agency or other administrative body (either of the State or the United States Government) is pending or, to the knowledge of the City, threatened, that in any way restrains or enjoins, or threatens or seeks to restrain or enjoin, the issuance, sale or delivery of the Bonds or in any way contests, questions or affects (i) the validity or enforceability of any provision of the Bonds, the Bond Ordinance or this Agreement; (ii) the imposition or collection of the assessments from LID No. 71; (iii) the pledge by the Bond Ordinance of (A) assessments collected from LID No. 71 and (B) the Local Improvement Guaranty Fund to pay and secure payment of the Bonds; (iv) the accuracy, completeness or fairness of the Official Statement; or (v) the legal existence of the City, the title of its elected officers to their respective offices, or the City's legal ability to perform its obligations under this Agreement or with respect to the Bonds, or to consummate any of the transactions to which it is or is to be a party as contemplated by this Agreement, the Bond Ordinance, the Bonds or the Official Statement; and to the best knowledge of the City's Finance Director, after due inquiry, there is no other event or circumstance that would have a material adverse effect on the power or ability of the City to perform its obligations under this Agreement or with respect to the Bonds or to consummate the transactions to which it is or is to be a party as contemplated by this Agreement, the Bond Ordinance, the Bonds or the Official Statement.

(h) The Bonds and the Bond Ordinance conform in all material respects to the descriptions thereof contained in the Official Statement.

(i) The Official Statement as of the date of this Agreement is true and complete in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the information contained therein not misleading. However, no representation or warranty need be given with respect to information in the Official Statement under the captions "THE LID NO. 71 – Special Benefit Study," or "TAX MATTERS," the information concerning DTC in "Appendix D – BOOK-ENTRY ONLY SYSTEM," and the information in "Appendix C – FORM OF LEGAL OPINION."

(j) Except as described in the Official Statement, the City does not intend to issue or incur, and the City is not aware of any plans to issue or incur, prior to the issuance of the Bonds, bonds, notes or other obligations, nor does the City intend to issue or incur, and the City is not aware of any plans to issue or incur prior to the issuance of the Bonds, bonds, notes or other obligations, or any liabilities, direct or contingent, that will have a material adverse effect on the financial condition of the City, nor does the City expect there to be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the City.

(k) Except as described in the Official Statement, the City has complied with its prior written undertakings under Rule 15c2-12.

(l) Except as described in the Official Statement, all approvals, consents and other actions by, and all filings or registrations with or notices to, any governmental or administrative authority or agency having jurisdiction in the matter required to be obtained by the City as a condition precedent to the performance by the City of its obligations hereunder, or under the Bonds and the Bond Ordinance, have been obtained and are in full force and effect (except no representation is made as to compliance with any Blue Sky laws).

(m) Any certificate signed by any authorized officer or other authorized representative of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein with the same effect as if such representation and warranty were set forth herein.

(n) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation with the Underwriter as may be requested (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Underwriter and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction. The City consents to the Underwriter's use of the Bond Ordinance, this Agreement and the Official Statement in obtaining such qualifications.

(o) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certificates may not be relied upon.

(p) The financial statements of the City contained or incorporated by reference in the Official Statement fairly present the financial position of the City as of the dates and for the periods therein set forth, such financial statements have been prepared in accordance with generally accepted accounting principles applicable to governmental entities in the State, except to the extent described therein, and there has been no material adverse change in the financial position or results of operations of the City from those set forth in the Official Statement.

5. CONDITIONS TO THE OBLIGATIONS OF THE UNDERWRITER

In addition to any other conditions herein stated, the obligations of the Underwriter hereunder are subject to the following conditions:

(a) The Bonds shall be issued and secured under and pursuant to the Bond Ordinance and shall be as described in and shall have the terms and conditions set forth in the Bond Ordinance and the Official Statement.

(b) At the time of the Closing, (i) the Bond Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented; (ii) this Agreement shall be in full force and effect; (iii) the City shall perform or have performed all of its respective

obligations required under or specified in this Agreement, and the Bond Ordinance to be performed at or prior to the Closing; and (iv) all actions by or on behalf of the City or otherwise necessary to execute, authenticate, issue, deliver and sell the Bonds pursuant hereto and to give effect to the pledge of (A) assessments from LID No. 71, and (B) the Local Improvement Guaranty Fund to pay and secure payment of the Bonds, and other provisions of the Bond Ordinance shall have been taken.

(c) As of the date of the Official Statement, the Official Statement did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and at the time of the Closing, the Official Statement shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. However, no warranty or representation need be made with respect to the information in the Official Statement contained under the captions “THE LID NO. 71 – Special Benefit Study,” or “TAX MATTERS,” the information concerning DTC in “Appendix D – BOOK-ENTRY ONLY SYSTEM,” and the information in “Appendix C – FORM OF LEGAL OPINION.”

(d) Subsequent to the respective dates as of which information is given in the Official Statement, and prior to the time of the Closing, no material adverse change, or any development involving a prospective material adverse change, in the condition of the City, financial or otherwise, shall have taken place (other than as referred to in or contemplated by the Official Statement), and if prior to the Closing such an event occurs the City shall promptly notify the Underwriter, and if in the opinion of the Underwriter and its counsel that event requires a supplement or amendment to the Official Statement, the City will supplement or amend the Official Statement at its expense, in a form and in a manner approved by the Underwriter.

(e) The representations and warranties of the City contained herein shall have been true and complete on the date made and shall be true and complete at the time of the Closing with the same effect as if made at such time.

(f) At or prior to the Closing, unless otherwise agreed by the Underwriter in writing, the Underwriter shall receive the following documents:

(i) An approving legal opinion of Foster Pepper PLLC (“Bond Counsel”), dated the date of the Closing and addressed to the Underwriter, in substantially the form attached to the Official Statement as Appendix C.

(ii) A supplemental opinion of Bond Counsel dated the date of the Closing and addressed to the Underwriter, to the effect that (A)(1) the City has the legal right, power and authority to adopt the Bond Ordinance and to enter into this Agreement, (2) to issue, sell and deliver the Bonds to the Underwriter, (3) to perform its obligations under the Bond Ordinance and this Agreement, and (4) to carry out the transactions described in the Bond Ordinance and this Agreement; (B) the City has duly adopted the Bond Ordinance and has duly authorized, executed and delivered this Agreement, and, assuming due execution and delivery of this Agreement by the Underwriter, this Agreement and the Bond Ordinance constitute the legal,

valid and binding obligations of the City, enforceable in accordance with their terms, except to the extent that enforceability is subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights; (C) the City has duly authorized an appropriate representative to "deem final" the Preliminary Official Statement in accordance with Rule 15c2-12 and to approve and execute the Official Statement; (D) the Bonds have been duly authorized, executed and delivered and are entitled to the benefits and security provided by the Bond Ordinance; (E) the Bond Ordinance creates the valid pledge of (1) assessments collected from LID No. 71 and (2) the Local Improvement Guaranty Fund to pay and secure payment of the Bonds that it purports to create; (F) no consent or approval of, or registration or filing with, any commission, board, authority, reimbursement body or instrumentality of the State is or was required in connection with any of the actions of the City described in the preceding clauses hereof, except such consents, approvals, registrations or filings as have been obtained on or prior to this date; provided, however, that no opinion is to be provided with respect to compliance with any Blue Sky laws; (G) the Bonds and their offer and sale are exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Bond Ordinance is exempt from qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"); (H) the statements contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY," "INITIATIVE AND REFERENDUM," "TAX MATTERS," "APPROVAL OF BOND COUNSEL" and "COMMITMENT TO PROVIDE CONTINUING DISCLOSURE," and in "Appendix C – FORM OF LEGAL OPINION," insofar as such statements purport to summarize certain provisions of the Bonds, the Bond Ordinance, State law and Bond Counsel's legal opinions concerning federal tax matters relating to the Bonds, are true and correct; and (I) based solely upon their participation as Bond Counsel in certain conferences with representatives of the City, the City's Attorney, the Underwriter, the Financial Advisor and Underwriter's counsel, during which conferences the contents of the Official Statement and related matters were discussed, and without having undertaken to determine independently the accuracy and completeness of the statements contained in the Official Statement, except as expressly set forth in the preceding clause (H), no facts came to the attention of the attorneys of such counsel rendering legal services in connection with their representation as Bond Counsel that caused them to believe that the Official Statement (except for information concerning DTC, the book-entry system and Appendix D to the Official Statement, information in the official statement under the captions "THE LID NO. 71 – Special Benefit Study," or information in "Appendix A – ECONOMIC AND DEMOGRAPHIC INFORMATION," and any references to such information set forth in the Official Statement, and other financial, demographic, economic and statistical data and projections included in the Official Statement, as to all of which no opinion need be expressed) as of its date contained, or that the Official Statement as the same may have been amended or supplemented prior to the date of the Closing (except as aforesaid) as of the date of the Closing contains, any untrue statement of a material fact or that the Official Statement omitted as of its date, or that the Official Statement as so amended or supplemented omits as of the date of the Closing, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading; provided, however, in giving the opinion described in this clause (I) Bond Counsel need not undertake an examination of such scope as may be necessary to qualify for a "due diligence" defense to federal or state securities laws and Bond Counsel's conclusions described in this clause (I) regarding the content of the Official Statement may be so qualified.

(iii) An opinion, dated the date of the Closing and addressed to the Underwriter, of K&L Gates LLP (“Underwriter’s Counsel”) to the effect that (A) the Bonds constitute exempted securities within the meaning of Section 3(a)(2) of the Securities Act, and Section 304(a)(4)(A) of the Trust Indenture Act, and it is not necessary, in connection with the offering and sale of the Bonds, to register any securities under the Securities Act or to qualify the Bond Ordinance under the Trust Indenture Act; (B) the City’s undertaking to provide certain continuing disclosure information pursuant to paragraph (b)(5) of Rule 15c-12 provides a suitable basis for the Underwriter reasonably to determine, pursuant to paragraph b(5)(i) of Rule 15c-12, that the City has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide the annual financial information and notices required by Rule 15c-12; and (C) based upon their examination of information made available to them in the course of their participation in the preparation of the Official Statement as Underwriter’s Counsel and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel have no reason to believe that the Official Statement as of the Closing contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial, demographic, economic and statistical data and projections contained in the Official Statement or as to the information set forth in the Official Statement under the captions “THE BONDS - Book-Entry Bonds” or the information concerning DTC in “Appendix D – BOOK-ENTRY ONLY SYSTEM”). In rendering the opinion provided above, Underwriter’s Counsel may rely upon the approving opinion of Bond Counsel, to the extent that such opinion addresses the validity of the Bonds, the Bond Ordinance and the governmental status of the City.

(iv) A certificate of the City executed by the City’s Finance Director, dated the date of the Closing, to the effect that on the date of this Agreement and as of the date of Closing (A) the representations and warranties of the City contained in this Agreement are true and correct in all material respects on and as of the date of the Closing with the same effect as if made at the time of the Closing; (B) the Official Statement as of the date of this Agreement and as of the date of the Closing, was and is true and complete in all material respects and does not contain an untrue statement of a material fact or omit or fail to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no representation or warranty need be made with respect to the information contained in the Official Statement under the captions “THE LID NO. 71 – Special Benefit Study,” or “TAX MATTERS,” the information in “Appendix C – FORM OF LEGAL OPINION” and the information concerning DTC and the book-entry system in “Appendix D – BOOK-ENTRY ONLY SYSTEM”); (C) that the City is not then in default as to any covenant, obligation or agreement contained in any resolution or other proceeding relating to any obligations for borrowed money of the City; (D) nothing has come to his or her attention to lead him or her to believe that the financial information and statistical data in the Official Statement contain any untrue statement of a material fact or omit or fail to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, no warranty or representation need be made with respect to the information contained in the Official Statement under the captions “THE LID NO. 71 – Special Benefit Study,” or “TAX MATTERS,” the information in “Appendix C – FORM OF LEGAL OPINION” and the information concerning

DTC and the book-entry system in “Appendix D – BOOK-ENTRY ONLY SYSTEM”); (E) the City has never defaulted in the payment of principal or interest on any of its obligations for borrowed money; and (F) the City has complied in all material respects with all agreements and satisfied in all material respects all conditions contemplated by this Agreement and the Bond Ordinance on the City’s part to be performed or satisfied at or prior to the delivery of the Bonds.

(v) An opinion of the City Attorney dated the date of the Closing and addressed to the Underwriter in substantially the form set forth on Exhibit C attached hereto.

(vi) The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City by the Finance Director.

(vii) Evidence satisfactory to the Underwriter that the Bonds have been rated “___” by Moody’s Investors Service.

(viii) A certificate dated the date of Closing in form and substance satisfactory to Bond Counsel and signed by the City’s Finance Director (a) addressing matters relevant to the tax-exempt status of interest on the Bonds and setting forth facts, estimates and circumstances (including covenants of the City) in existence on the date of the Closing sufficient to support the conclusion that the proceeds of the Bonds are not expected to be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of the Internal Revenue Code of the 1986, as amended (the “Code”), and stating that to the best of his knowledge and belief, there are no other facts, estimates or circumstances that would adversely affect such expectations.

(ix) A DTC Blanket Issuer Letter of Representations, executed by the City and accepted by DTC.

(x) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the accuracy, as of the date hereof and as of the Closing, of the City’s representations and warranties contained in this Agreement and in the Official Statement and contained in any of the certificates or other documents referred to in this Agreement, as the same may be supplemented or amended, and the due performance and satisfaction by the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the City.

All certificates, opinions and other documents and instruments delivered pursuant to this Section 5 shall be satisfactory in form and substance to the Underwriter and to Underwriter’s Counsel; provided, however, that their approval of the form and substance shall not be unreasonably withheld.

6. TERMINATION OF CONTRACT

The Underwriter shall have the right in its sole discretion to cancel the Underwriter’s obligations hereunder to purchase the Bonds (and such cancellation shall not constitute a default hereunder) by notifying the City of its election to do so between the date hereof and the Closing if, at any time hereafter and prior to the Closing:

(a) The marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by (i) an amendment to the Constitution of the United States of America or any legislation that shall have been introduced in or enacted by the Congress of the United States; (ii) legislation pending in the Congress of the United States; or (iii) legislation (including any amendment thereto, whether or not in formal bill form) recommended to the Congress of the United States or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives; or (iv) legislation (including any amendment thereto, whether or not in formal bill form) proposed that may have an effective date prior to the Closing for consideration by either such Committee or by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States; or (v) legislation favorably presented for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration; (vi) a decision by a court of the United States or the Tax Court of the United States; or (vii) a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency, with respect to federal taxation of revenues or other income of the general character expected to be derived by the City or upon interest received on securities of the general character of the Bonds or that would change, directly or indirectly, the federal income tax consequences resulting from ownership of or receipt of interest on securities of the general character of the Bonds in the hands of the owners thereof.

(b) Any legislation, ordinance, resolution, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State, or a decision by a court within the State shall be rendered, which in the Underwriter's opinion, materially adversely affects the marketability of the Bonds or the ability of the Underwriter to enforce contracts for sale of the Bonds.

(c) In the Underwriter's reasonable opinion, any act or event shall exist or may exist that requires or has required an amendment or supplement to the Official Statement, or the subject matter of any amendment or supplement to the Official Statement materially and adversely affects (i) the market price or marketability of the Bonds or (ii) the ability of the Underwriter to enforce contracts for sale of the Bonds.

(d) The New York Stock Exchange or other national securities exchange, the MSRB, the Financial Industry Regulatory Authority ("FINRA"), or any governmental authority or agency shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the offering, sale and distribution, or extension of credit in connection with the purchase of the Bonds.

(e) There shall be in force a general suspension of trading on the New York Stock Exchange, or any other major United States stock exchange or a general banking

moratorium shall have been established by the United States or New York or Washington State authorities.

(f) Any amendment to the Constitution of the United States of America, any legislation enacted by the United States of America, any decision of any court of the United States of America, or any order, ruling, regulation or official statement issued or made by or on behalf of the Securities and Exchange Commission, or of any other governmental agency having jurisdiction over the subject matter, having the effect that obligations of the general character of the Bonds, or the Bonds, are not exempt from the registration requirements of the Securities Act, or that the Bond Ordinance is not exempt from qualification under the Trust Indenture Act.

(g) Any rating of obligations of the City shall have been downgraded or withdrawn by a national rating service, which event, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds, or any proceeding shall be pending or threatened by the Securities and Exchange Commission or the Attorney General of the State against the City relating to the Bonds.

(h) There shall have occurred any outbreak or escalation of hostilities or any national or international calamity or crisis including financial crisis, the effect of which on the financial markets of the United States being such, as in the reasonable judgment of the Underwriter, would make it impracticable for the Underwriter to market the Bonds or to enforce contracts for the sale of the Bonds.

7. EFFECT OF TERMINATION

If the sale of the Bonds to the Underwriter, as herein contemplated, is not carried out by the Underwriter for any reason permitted hereunder, or if such sale is not carried out because the City shall be unable to comply with any of the terms hereof, the City shall be under no obligation or liability under this Agreement (except to the extent provided in Section 8 hereof), and the Underwriter shall be under no obligation or liability to the City.

8. PAYMENT OF COSTS

(a) Whether or not the Bonds are issued as contemplated by this Agreement, the Underwriter shall be under no obligation to pay, and the City hereby agrees to pay, any expenses incident to the performance of the City's obligations hereunder, including but not limited to (i) the costs of preparation and printing of the Bonds and the Bond Ordinance, preparation, printing and distribution of the Official Statement, and preparation of all other documents prepared by the City or its counsel; (ii) the fees and disbursements of Bond Counsel; (iii) the fees and disbursements of other counsel to the City; (iv) the fees of the Bond Registrar; (v) the fees and disbursement of accountants, consultants and advisors to the City, including, without limitation, the fees of the financial advisors to the City; and (vi) any other expenses and costs of the City, including costs and expenses of credit enhancement, if any, of the City incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter.

(b) The Underwriter shall pay (i) any fees assessed upon the Underwriter with respect to the Bonds by the MSRB or the FINRA; (ii) all advertising expenses in connection with

any public offering of the Bonds; (iii) the costs of qualifying the Bonds under the Blue Sky or other securities laws of such jurisdictions as the Underwriter may determine and the costs of the preparation and printing of Blue Sky memoranda; and (iv) all other costs and expenses incurred by them in connection with any public offering and distribution of the Bonds, including the fees and disbursements of Underwriter's Counsel.

9. NOTICES

Any notice or other communication to be given to the City under this Agreement may be given by delivering the same in writing to the City of Marysville, 1049 State Ave., Marysville, WA 98270, Attention: Finance Director, and any such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to D.A. Davidson & Co., 701 Fifth Avenue, Suite 4050, Seattle, WA 98104, Attention: David Trageser, Managing Director.

10. GENERAL

This Agreement is made solely for the benefit of the City and the Underwriter (including any successor of the Underwriter), and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of an Underwriter and shall survive the delivery of the Bonds and any termination of this Agreement.

11. UNDERWRITER REPRESENTATIONS AND OBLIGATIONS.

The Underwriter represents that it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and it is licensed by and registered with the FINRA as a broker-dealer and with the MSRB as a municipal bonds dealer. The Underwriter agrees to comply with all applicable laws and regulations governing the underwriting of the Bonds.

The Underwriter shall execute and deliver on the Closing Date an issue price or similar certificate, in form and substance reasonably satisfactory to the City and Bond Counsel, (i) confirming the initial reoffering prices ("initial Reoffering Prices") at which each maturity of the Bonds was reasonably expected on the sale date to be sold to the public, exclusive of bond houses, brokers, and similar persons or organizations acting in the capacity of underwriters or wholesalers ("Public Buyers"); (ii) certifying that a bona fide offering of the Bonds has been made to Public Buyers; (iii) stating the first price at which a substantial amount (at least 10%) of each maturity of the Bonds was sold to Public Buyers; and (iv) if the first price at which a substantial amount of any maturity of the Bonds does not conform to the Initial Reoffering Price of that maturity, providing an explanation of the facts and circumstances that resulted in that non-conformity.

12. WAIVERS

Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter at its discretion.

13. EFFECTIVENESS OF CONTRACT

This Agreement shall become effective upon the execution hereof by the City's Finance Director and the execution of the acceptance hereof by the Underwriter and shall be valid and enforceable as of the time of such execution and acceptance.

14. GOVERNING LAW

This Agreement shall be construed in accordance with and governed by the laws of the State.

15. COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Respectfully submitted,

D.A. DAVIDSON & CO.

By: _____
David Trageser, Managing Director

CITY OF MARYSVILLE

By: _____
Sandy Langdon, Finance Director

Accepted: _____, 2014

Time: _____

EXHIBIT A

City of Marysville, Washington

Local Improvement District No. 71 Bonds

\$ _____

Maturity (_____)	Principal Amount	Interest Rate	Yield
_____	\$ _____	____%	____%

The Bonds will be dated and bear interest from the date of their delivery to the Underwriter, calculated on the basis of a 360-day year consisting of twelve 30-day months, payable annually on each _____ 1, commencing _____, 2015, to their stated date of maturity or prior redemption.

Estimated Redemption Schedule

(_____)	Principal Amount
_____	\$ _____

EXHIBIT B

Form of “Deemed Final” Certificate

City of Marysville

Local Improvement District No. 71 Bonds

\$_____

**RULE 15c2-12 CERTIFICATION
REGARDING PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby certifies and represents to D.A. Davidson & Co. (the “Underwriter”) that:

1. I am authorized to execute and deliver this certificate on behalf of the City of Marysville (the “City”), as provided in Ordinance No. _____ of the City passed on April 14, 2014; and

2. For the sole purpose of enabling the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934 (the “Rule”), I hereby “deem final” as of its date the Preliminary Official Statement, dated _____, 2014, which sets forth information concerning the Bonds and the City (the “Preliminary Official Statement”). The Underwriter is advised that, in accordance with the Rule, the Preliminary Official Statement may omit any or all of the following information: the offering price, interest rates, underwriter’s discount, aggregate principal amount and principal amounts per maturity, delivery date, redemption provisions, rating, and other terms of the Bonds depending on such matters.

DATED: _____, 2014.

Sandy Langdon, Finance Director
City of Marysville

EXHIBIT C

Form of City Attorney's Opinion

[DATE OF CLOSING]

D.A. Davidson & Co.
Seattle, Washington

**Re: City of Marysville, Washington
Local Improvement District No. 71 Bonds - \$_____**

Ladies and Gentlemen:

I am the duly appointed and acting City Attorney for the City of Marysville (the "City"), and have acted as such in connection with the transactions provided for by the documents referred to herein in connection with the City's issuance and sale of the above-referenced Bonds (the "Bonds") sold pursuant to a Bond Purchase Agreement dated _____, 2014 (the "Agreement"), between D.A. Davidson & Co. ("Underwriter") and the City. Any capitalized term used in this opinion and not defined herein has the meaning given to it in the Agreement.

In this connection, we have reviewed and examined (i) the Bond Ordinance; (ii) the Agreement; and (iii) the Official Statement. Based on such review and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

1. The City is a municipal corporation, duly organized and existing under the laws of the state of Washington.

2. The City's execution and delivery of the Agreement and the Bonds, the City's adoption of the Bond Ordinance, and the City's compliance with the terms and conditions of the Agreement, the Bonds and the Bond Ordinance, have not resulted and will not result in either (a) a conflict with or a breach of any writ, injunction or decree of any court; or (b) a breach of or default under the terms or provisions of any agreement to which the City is a party or by which the City is bound; in each case which conflict, breach or default would have a material adverse effect on the City's authority to pay and secure the payment of principal of and interest on the Bonds as contemplated by the Bond Ordinance.

3. Except as described in the Official Statement, no litigation or other action, suit, proceeding, inquiry or investigation before or by any court or agency or other administrative body (either of the State or the United States Government) is pending or, to our knowledge, threatened, that in any way restrains or enjoins, or threatens or seeks to restrain or enjoin, the issuance, sale or delivery of the Bonds or in any way contests, questions or affects (i) the validity or enforceability of any provision of the Bonds, the Bond Ordinance or this Agreement; (ii) the City's pledge under the Bond Ordinance of assessments from LID No. 71, the Local Improvement Guaranty Fund to pay and secure payment of the Bonds; (iii) the accuracy, completeness or fairness of the Official Statement; (iv) the legal existence of the City, the title of its elected officers to their respective offices, or (v) the City's legal ability to perform its obligations under this Agreement, or with respect to the Bonds or to consummate any of the

transactions to which it is or is to be a party as described in this Agreement, the Bond Ordinance, the Bonds or the Official Statement.

4. The statements contained in the Official Statement under the caption “NO LITIGATION CONCERNING THE BONDS,” insofar as such statements purport to summarize litigation or the absence of litigation affecting the City, the Bonds or the LID No. 71, present a fair and accurate summary of such litigation and are true and correct.

Very truly yours,

CITY OF MARYSVILLE
Marysville, Washington

RESOLUTION NO. 2348

**A RESOLUTION OF THE CITY OF MARYSVILLE ADOPTING A POLICY
FOR THE MANAGEMENT OF THE CITY'S DEBT**

WHEREAS, the City Council of the City of Marysville deems to ensure that all City debt is issued and managed both prudently and cost effectively, and

WHEREAS, the City Council of the City of Marysville desires to set forth guidelines for the issuance and management of all financings of the City, and

WHEREAS, the Marysville City Treasurer (Director of Finance) has recommended the attached debt management policy, and

WHEREAS, the City of Marysville's debt management policy has been written in accordance with the Association of Public Treasurers of the United State & Canada (APT US&C) guidelines.

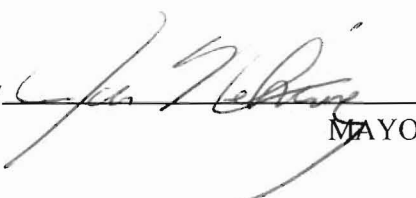
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARYSVILLE, WASHINGTON AS FOLLOWS:

Section 1. The policy for the management of the City's debt set forth in the document entitled "City of Marysville Debt Management Policy", which is attached hereto and incorporated herin by this reference as if set forth in full is hereby adopted as official policy for the management of the City's debt.

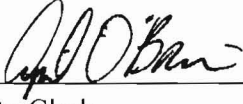
Section 2. That the adoption of the document entitled City of Marysville Debt Management Policy, replaces all previous City of Marysville Debt Management Policies.

PASSED by the City Council and APPROVED by the Mayor this 22 day of July, 2013.

CITY OF MARYSVILLE

By 
MAYOR

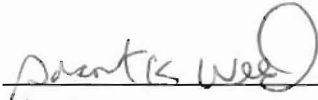
ATTEST:



City Clerk

Deputy

APPROVED AS TO FORM:



City Attorney

City of Marysville Debt Management Policy

The Debt Policy for the City of Marysville (City) is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth guidelines for the issuance and management of all financings of the City. Adherence to the policy is essential to ensure that the City maintains a sound debt position and protects the credit quality of its obligations while providing flexibility and preserving financial stability.

1.0 Uses of Debt

1.1 City of Marysville uses debt as a mechanism to equalize the costs of needed capital improvements for the benefit of both present and future citizens;

1.2 City of Marysville uses debt as a mechanism to reduce the immediate costs of substantial public improvements.

1.3 The City of Marysville will not use long-term debt to support current operations.

1.4 Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.

1.5 Interest, operating, and/or maintenance expenses may be capitalized for enterprise activities; and will be strictly limited to those expenses incurred prior to actual operation of the facilities.

1.6 Interest may be capitalized for general activities when necessary to align timing of new revenues with debt service, or to avoid duplicative expenditures (i.e., rent and bond payments) when providing for replacement facilities.

2.0 Debt Limits

2.1 Legal Limits:

2.1.1 The general obligation debt of Marysville will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City. RCW 39.36.020 2.1.2

The following individual percentages shall not be exceeded in any specific debt category:

- General Debt - 2.5% of assessed valuation
- Non-Voted 1.5% Limited Tax General Obligation (LTGO) Bonds
- Voted 2.0% Unlimited Tax General Obligation (UTGO) Bonds
- Utility Debt - 2.5% of assessed valuation
- Open Space and Park Facilities - 2.5% of assessed valuation

2.2 Public Policy Limits:

2.2.1 The City will establish and implement a comprehensive multi-year Capital Improvement Program (CIP).

2.2.2 Financial analysis of funding sources will be conducted for all proposed capital improvement projects.

2.2.3 Debt will be issued in accordance with the CIP as necessary.

2.2.4 Where borrowing is recommended, the source of funds to cover debt service requirements must be identified.

2.3 Financial Limits:

2.3.1 The City's policy is to plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the Operating Budget.

2.3.2 The City will conduct a debt affordability analysis to evaluate the City's ability to support debt. The analysis will review available resources for the amount of debt the City can initiate each year, and project the effects of that financing through six years of the CIP.

3.0 Allowable Types of Debt

3.1 Short Term Obligations: Short-term borrowing will only be used to meet the cash flow needs of a project for which long-term financing has been approved but not yet secured. The City may issue interfund loans rather than outside debt instruments to meet short-term cash flow needs. Interfund loans will be permitted only if an analysis of the affected fund indicates excess funds are available and the use of the funds will not impact the fund's current operations. All interfund loans will be subject to Council approval, will bear interest based upon prevailing rates and have terms consistent with state guidelines for interfund loans.

3.2 Assessment/ LID Bonds: Assessment bonds will be considered in place of general obligation bonds, where possible, to assure the greatest degree of public equity. Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who benefited from the capital improvement through annual assessments paid to the City. LID's are formed by the City Council after a majority of property owners agree to the assessment.

3.3 General Obligation Bonds Limited Tax: General Obligation debt is backed by the full faith and credit of the City and is payable from General Fund revenues and taxes collected by the City. Limited Tax General Obligation (LTGO) Bonds can be issued with the approval of the City Council and will only be issued if: A project requires funding not available from alternative sources; Matching fund monies are available which may be lost if not applied for in a timely manner; or Emergency conditions exist.

3.4 General Obligation Bonds Unlimited Tax: Unlimited Tax General Obligation (UTGO) Bonds are payable from excess tax levies and is subject to voter approval by 60% of the voters. UTGO Bonds will be used for projects with broad community impact and appeal, and when the excess tax levy is necessary and appropriate for payment of the debt service, subject to voter approval.

3.5 Revenue Bonds: Revenue bonds are used to finance construction or improvements to facilities of enterprise systems operated by the City in accordance with the Capital Improvement Program and are generally payable from the enterprise. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to the City's statutory debt limitation nor is voter approval required.

3.6 Leases: Lease purchase or financing contracts are payment obligations that represent principal and interest components which are general obligations of the City. Leases will be considered only after comparison of the overall borrowing cost with alternatives, such as interfund loans or general obligation bonds.

3.7 Other Loan Programs:

3.7.1 Public Works Trust Fund Loans are loans from the Public Works Board, authorized by state statute, RCW 43.155 to loan money to repair, replace, or create domestic water systems, sanitary sewer systems, storm sewer systems, roads, streets, solid waste and recycling facilities, and bridges.

3.7.2 The Local Option Capital Asset Lending (LOCAL) Program is a financing contract with the Office of the State Treasurer under RCW 39.94. It is an expanded version of the state agency lease/purchase program that allows pooling funding needs into larger offerings of securities. This program allows local government agencies the ability to finance equipment needs through the State Treasurer's office, subject to existing debt limitations and financial consideration.

3.7.3 Other state funded programs.

3.8 Alternative types of debt: No variable-rate debt or derivative products shall be utilized.

4.0 Debt Structuring Practices

4.1 Maximum term, Payback Period and Average maturity:

4.1.1 The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life with the average life of the bonds less than or equal to the average life of the assets being financed.

4.1.2 General Obligation bonds will be issued with maturities of 20 years or less unless otherwise approved by Council. The maximum term for general obligation bonds shall be 30 years.

4.1.3 The maturity of all assessment bonds shall not exceed statutory limitations. RCW 36.83.050.

4.2 Debt Service Structure:

4.2.1 Unless otherwise justified and deemed necessary, debt service should be structured on a level or declining repayment basis.

4.3 Criteria for issuance of advance refunding and current refunding bonds

4.3.1 The City will use refunding bonds, where appropriate, when restructuring its current outstanding debt. A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as a desire to remove or change a bond covenant, a debt refunding will not be pursued without a sufficient net present value benefit after expenses. Generally, the City may undertake refinancing with net present value savings are 3.5 to 5.0% of the par amount of the bonds to be refunded. For current refunding (i.e., refunding in which the outstanding bonds will be called within 90 days of the refunding), the savings threshold may be lower.

4.4 Other structuring practices:

4.4.1 Bond amortization schedules will be structured to minimize interest expense with the constraints of revenues available for debt service. The bonds should include call features to maximize the City's ability to advance refund or retire the debt early. However, call features should be balanced with market conditions to ensure that the total cost of the financing is not adversely affected.

5.0 Debt Issuance Practices

5.1 Council Approval: City Council approval is required prior to the issuance of debt.

5.2 Analytical Review: An analytical review shall be conducted prior to the issuance of debt including but not limited to, monitoring of market opportunities and structuring and pricing of the debt.

5.3 Use of credit ratings, minimum bond ratings, determination of the number of ratings and selection of rating services: The City will continually strive to maintain its bond rating by improving financial policies, budget, forecasts and the financial health of the City so its borrowing costs are minimized and its access to credit is preserved. The City will maintain good communication with bond rating agencies about its financial condition, coordinating meetings, and presentations in conjunction with a new issuance as necessary.

5.4 Compliance with Statutes and Regulations: The Finance Director, City Attorney and bond counsel shall coordinate their activities and review all debt issuance to ensure that all securities are issued in compliance with legal and regulatory requirements by the State of Washington and the Federal Government's laws, rules and regulations.

5.5 Selection and use of professional service providers:

5.5.1 The City's Finance and Administration Department shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt program.

5.5.2 Bond Counsel: All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt's federal income tax status and any other components necessary for the proposed debt.

5.5.3 Financial Advisor: A Financial Advisor(s) may be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with the objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring of market opportunities, structuring and pricing of debt, and preparing official statements of disclosure. The City's Financial Advisor may not participate in underwriting of the City's bonds.

5.5.4 Underwriters: An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors. The Underwriter may not serve as Financial Advisor to the City.

5.5.5 Fiscal Agent: A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders. In accordance with RCW 43.80, the City will use the Fiscal Agent that is appointed by the State.

5.6 Criteria for determining sales method and investment of proceeds:

5.6.1 The Director of Finance shall determine the method of sale best suited for each issue of debt.

5.6.2 The City will generally issue its debt through a competitive process. For any competitive sale of debt, the City will award the issue to the underwriter offering to buy the bonds at a price and interest rates that provides the lowest True Interest Cost (TIC).

5.6.3 The City will provide for the sale of debt through a negotiated process (i.e., negotiating the terms and conditions of sale) when necessary to minimize the cost and risks of borrowing under the following conditions:

- The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.
- At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.
- The nature of the debt is unique and requires particular skills from the underwriter(s) involved.
- The debt issued is bound by a compressed time line due to extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.

5.6.4 The City may consider a direct placement with a bank when it is expected to provide a reduced cost of capital, market conditions are such that the City will benefit from locking in an interest rate, and/or the timing is of the essence and can best be met through a placement without adding significant costs

5.7 Bond Insurance: For each issue, the City may evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City shall be competitively procured and evaluated by the City's financial advisor.

6.0 Debt Management Practices

6.1 Investment of Bond Proceeds

The City shall comply with all applicable Federal, State and contractual restrictions regarding the investment of bond proceeds, including City of Marysville Investment Policy.

6.2 Continuing Disclosure

The City shall provide annual disclosure information to established national information repositories and maintain compliance with disclosure statements as required by state and national regulatory bodies. Disclosure shall take the form of the Comprehensive Annual Financial Report (CAFR) unless information is required by a particular bond issue that is not necessarily contained within the CAFR.

6.3 Arbitrage Rebate monitoring and filing

The City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the City will follow a policy of full compliance with all arbitrage rebate requirements of the federal tax code and Internal Revenue Service regulations, and will perform (internally or by contract consultants) arbitrage rebate calculations for each issue subject to rebate. All necessary rebates will be filed and paid when due in order to preserve the tax-exempt status of the outstanding debt.

6.4 Federal and state law compliance practices

Discussed in Debt Issuance Practices sections 5.3 and 5.4 and Debt Management Practices sections 6.1 and 6.3.

6.5 Market and investor relations efforts The City shall endeavor to maintain a positive relationship with the investment community. The City shall communicate through its published Budget, Capital Improvement Program and Comprehensive Annual Financial Statements the City's indebtedness as well as its future financial plans.

6.6 Periodic review

The City's debt policy shall be adopted by City Council. The policy shall be reviewed every four years by the Council Finance Committee and modifications shall be submitted to and approved by City Council.