

POULSBO DISTRIBUTION SCHEDULE

ORDINANCE NO. 2012-05

SUBJECT: General Obligation Debt

CONFORM AS TO DATES & SIGNATURES

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Jill A. Boltz
City Clerk

February 17, 2012
Date

CITY OF POULSBO, WASHINGTON

ORDINANCE NO. 2012-05

AN ORDINANCE of the City of Poulsbo, Washington, relating to contracting indebtedness; providing for the issuance and sale of \$2,455,000 par value of Limited Tax General Obligation and Refunding Bonds, 2012, to prepay the City's Limited Tax General Obligation Bond Anticipation Note, 2010 and to currently refund the City's outstanding Limited Tax General Obligation Bonds, 2003; fixing the terms and covenants of the bonds; and providing for related matters.

Passed February 15, 2012

This document prepared by:

*Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400*

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THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words shall have the following meanings:

(a) "Acquired Obligations" mean those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by this ordinance.

(b) "Authorized Denomination" means \$5,000 or any integral multiple thereof within a maturity.

(c) "Beneficial Owner" means the owner of any beneficial interests in the Bonds.

(d) "Bond Fund" means the Limited Tax General Obligation and Refunding Bond Fund, 2012, created by this ordinance for the payment of the Bonds.

(e) "Bond Register" means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of the Bonds.

(f) "Bond Registrar" means the Fiscal Agent.

(g) "Bonds" mean the \$2,455,000 par value Limited Tax General Obligation and Refunding Bonds, 2012, of the City issued pursuant to and for the purposes provided in this ordinance.

(h) "City" means the City of Poulsbo, Washington, a municipal corporation duly organized and existing under the laws of the State.

(i) "City Council" means the governing body of the City, acting in its legislative capacity.

(j) “Code” means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(k) “DTC” means The Depository Trust Company, New York, New York.

(l) “Fiscal Agent” means the fiscal agent of the State, as the same may be designated by the State from time to time.

(m) “Letter of Representations” mean the Blanket Issuer Letter of Representations dated June 4, 1997, between the City and DTC, as it may be amended from time to time.

(n) “MSRB” means the Municipal Securities Rulemaking Board.

(o) “Owners” mean, without distinction, the Registered Owner(s) and the Beneficial Owner(s).

(p) “Redemption Date” means the date fixed for redemption of the Refunded Bonds as determined by the Finance Director.

(q) “Refunded Bonds” mean the outstanding Limited Tax General Obligation Bonds, 2003, of the City maturing in the years 2012 through 2017, inclusive, issued pursuant to Ordinance No. 2003-15, the refunding of which has been provided for by this ordinance.

(r) “Refunding Plan” means:

(a) the placement of sufficient proceeds of the Bonds which, with other money of the City, if necessary, will acquire the Acquired Obligations to be deposited, with cash, if necessary, with the Refunding Trustee;

(b) the payment of the principal of and interest on the Refunded Bonds when due up to and including the Redemption Date, and the call, payment, and redemption on the Redemption Date, of all of the then-outstanding Refunded Bonds at a price of par; and

(c) the payment of the costs of issuing the Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

(s) “Refunding Trust Agreement” means a Refunding Trust Agreement between the City and the Refunding Trustee.

(t) “Refunding Trustee” means The Bank of New York Mellon of New York, New York, serving as trustee or escrow agent or any successor trustee or escrow agent.

(u) “Registered Owner” means the person in whose name a Bond is registered on the Bond Register. For so long as the City utilizes the book-entry system for the Bonds under the Letter of Representations, Registered Owner shall mean DTC.

(v) “Rule 15c2-12” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

(w) “SEC” means the United States Securities and Exchange Commission.

(x) “State” means the State of Washington.

(y) “Term Bonds” mean those Bonds maturing in 2020, 2023, 2026 and 2031.

(z) “Undertaking” means the continuing disclosure agreement set forth in Section 18 of this ordinance.

(aa) “Underwriter” means Martin Nelson & Company of Seattle, Washington.

Section 2. Recitals and Findings.

(a) Pursuant to Ordinance No. 2010-08, as amended by Ordinance No. 2011-06, the City heretofore issued its \$2,000,000 par value Limited Tax General Obligation Bond Anticipation Note, 2010 (the “Note”), currently outstanding in the amount of \$1,825,000, for the purpose of providing funds to complete the construction of the City Hall, and by that ordinance reserved the right to prepay the Note at any time prior to its maturity, without any prepayment fee; and

(b) Pursuant to Ordinance No. 2003-15, the City heretofore issued its \$2,505,000 par value Limited Tax General Obligation Bonds, 2003 (the “2003 Bonds”), for the purpose of providing funds for various transportation improvements and to repay a note that financed the acquisition of property, and by that ordinance reserved the right to redeem the 2003 Bonds prior to their maturity, at a price of par plus accrued interest to the date fixed for redemption; and

(c) There are presently outstanding \$660,000 par value of 2003 Bonds maturing on December 1 of each of the years 2012 through 2017, inclusive, and bearing various interest rates from 3.60% to 4.20% (the “Refunded Bonds”); and

(d) After due consideration, it appears to the City Council that the Refunded Bonds may be refunded by the issuance and sale of the limited tax general obligation and refunding bonds authorized herein (the “Bonds”) so that a savings will be effected by the difference between the principal and interest cost over the life of the Bonds and the principal and interest cost over the life of the Refunded Bonds but for such refunding, which refunding will be effected by carrying out the Refunding Plan; and

(e) To effect the refunding in the manner that will be most advantageous to the City it is found necessary and advisable that certain Acquired Obligations (hereinafter defined) bearing interest and maturing at such time or times as necessary to accomplish the refunding as aforesaid be purchased out of a portion of the proceeds of the Bonds; and

(f) The City Council deems it to be in the best interests of the City to issue and sell the Bonds to prepay the Note, to carry out the Refunding Plan, and pay the costs of issuance and sale of the Bonds.

Section 3. Debt Capacity. The assessed valuation of the taxable property within the City as ascertained by the last preceding assessment for City purposes for the calendar year 2012 is \$1,244,257,146.

(a) The City has outstanding general indebtedness as follows:

(i) Limited tax general obligation bonds, notes, leases and conditional sales contracts outstanding in the principal amount of \$9,765,000, which is incurred within the limit of up to 1½% of the value of the taxable property within the City permitted for general municipal purposes.

(ii) No unlimited tax general obligation bonds or notes outstanding. The debt described in this paragraph is incurred with the approval of the requisite number of the City's qualified voters, within the limit of up to 2½% of the value of the taxable property within the City for general municipal purposes (when combined with the outstanding limited tax general obligation indebtedness), 2½% for utility purposes and 2½% for open space and economic development purposes.

(b) The amount of indebtedness authorized by this ordinance is \$2,455,000 and is issued within the limitation permitted for general municipal purposes without a vote.

Section 4. Purpose and Authorization of Bonds. The City shall borrow money on the credit of the City and issue negotiable limited tax general obligation and refunding bonds evidencing that indebtedness in the amount of \$2,455,000 to prepay the Note, to currently refund the Refunded Bonds, and pay the administrative costs of such refunding and the costs of issuance and sale of the Bonds.

Section 5. Description of Bonds. The Bonds shall be called City of Poulsbo, Washington, Limited Tax General Obligation and Refunding Bonds, 2012. The Bonds shall be issued in the aggregate principal amount of \$2,455,000; shall be dated their date of initial delivery to the Underwriter; shall be in Authorized Denominations; and shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification.

The Bonds shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) payable semiannually on each June 1 and December 1, commencing June 1, 2012, to the maturity or earlier redemption of the Bonds; and shall mature on December 1 in years and amounts and bear interest at the rates per annum as set forth in Exhibit A, which is attached to this ordinance and incorporated by this reference.

Portions of the maturity amounts set forth in Exhibit A are allocated to paying the respective costs of prepaying the Note and of carrying out the Refunding Plan, including a

ratable share of proceeds used to pay the costs of issuance of the Bonds, in accordance with the schedule also included in Exhibit A.

Section 6. Bond Registrar; Registration and Transfer of Bonds.

(a) Registration of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register.

(b) Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Register shall contain the name and mailing address of the Registered Owner of each Bond and the principal amount and number of each of the Bonds held by each Registered Owner.

The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become either a Registered or Beneficial Owner of Bonds with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Beneficial Owners.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date.

(c) DTC and the Book Entry System. The Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of the Letter of Representations. Neither the City nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal of or interest on the Bonds, or any notice which is permitted or required to be given to Registered Owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For as long as any Bonds are held in fully immobilized form, DTC, its nominee or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder and all references to registered owners, bondowners, bondholders or the like shall mean DTC or its nominee and, except for the purpose of the City's undertaking herein to provide continuing disclosure, shall not mean the Beneficial Owners. Registered ownership of such Bonds, or any

portions thereof, may not thereafter be transferred except: (i) to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the City or such substitute depository's successor; or (iii) to any person if the Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the City that it no longer wishes to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the City may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained or (ii) the City determines that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any person as provided herein and the Bonds no longer shall be held in fully immobilized form.

Section 7. Form and Execution of Bonds. The Bonds shall be prepared in a form consistent with the provisions of this ordinance and state law and shall be signed by the Mayor and City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "Certificate Of Authentication. This Bond is one of the fully registered City of Poulsbo, Washington, Limited Tax General Obligation and Refunding Bonds, 2012, described in the Bond Ordinance." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

If any officer whose manual or facsimile signature appears on the Bonds ceases to be an officer of the City authorized to sign bonds before the Bonds bearing his or her manual or facsimile signature are authenticated or delivered by the Bond Registrar or issued by the City, those Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 8. Payment of Bonds. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations. If the Bonds cease to be in book-entry-only form, interest on the Bonds shall be paid by checks or drafts of the Bond Registrar mailed on the interest payment date to the Registered Owners at the addresses

appearing on the Bond Register on the 15th day of the month preceding the interest payment date or by electronic transfer on the interest payment date. The City shall not be required to make electronic transfers except to a Registered Owner of Bonds pursuant to a request in writing (and at the sole expense of that Registered Owner) received at least 10 days before an interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the Registered Owners to the Bond Registrar.

Section 9. Redemption Provisions and Open Market Purchase of Bonds.

(a) Optional Redemption. The Bonds maturing in the years 2012 through 2016, inclusive, shall be issued without the right or option of the City to redeem those Bonds prior to their stated maturity dates. The City reserves the right and option to redeem the Bonds maturing on or after December 1, 2017, prior to their stated maturity dates at any time on or after December 1, 2016, as a whole or in part (within one or more maturities selected by the City), at par plus accrued interest to the date fixed for redemption.

(b) Mandatory Redemption. Bonds maturing in 2020, 2023, 2026 and 2031 are Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be called for redemption at par plus accrued interest on December 1 in years and amounts as set forth in Exhibit A. If the City redeems under the optional redemption provisions, purchases in the open market or defeases Term Bonds, the par amount of the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given.

(c) Partial Redemptions. Portions of the principal amount of any Bond, in any Authorized Denomination, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any Authorized Denomination in the aggregate principal amount remaining unredeemed.

(d) Selection of Bonds for Redemption. If fewer than all of the outstanding Bonds within a maturity are to be redeemed prior to maturity, Bonds shall be selected for redemption randomly within a maturity in such manner as the Bond Registrar shall determine. Notwithstanding the foregoing, for as long as the Bonds are registered in the name of DTC or its nominee, selection of Bonds for redemption shall be in accordance with the Letter of Representations.

(e) Notice of Redemption. While the Bonds are held by DTC in book-entry only form, any notice of redemption shall be given at the time, to the entity and in the manner required by DTC in accordance with the Letter of Representations, and the Bond Registrar shall not be required to give any other notice of redemption. If the Bonds cease to be in book-entry only form unless waived by any Registered Owner of the Bonds to be redeemed, the City shall

cause notice of any intended redemption of Bonds to be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the Registered or Beneficial Owner of any Bond.

In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of Bonds by giving a notice of rescission to the affected Registered Owners at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB, consistent with the Undertaking, to any nationally recognized rating agency which at the time maintains a rating on the Bonds at the request of the City, and to such other persons and with such additional information as the Finance Director shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

(f) Effect of Redemption. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption, unless the notice of redemption is rescinded as set forth above.

(g) Open Market Purchase. The City further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the City plus accrued interest to the date of purchase.

(h) Cancellation of Bonds. All Bonds purchased or redeemed under this section shall be canceled.

Section 10. Failure To Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or date set for redemption, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date set for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 11. Pledge of Taxes. For as long as any of the Bonds are outstanding, the City irrevocably pledges to include in its budget and levy taxes annually, within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City, on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 12. Tax Covenants; Designation of Bonds as “Qualified Tax-Exempt Obligations.”

(a) Preservation of Tax Exemption for Interest on Bonds. The City covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes.

(b) Small Governmental Issuer Arbitrage Rebate Exception and Designation of Bonds as “Qualified Tax-Exempt Obligations.” The City finds and declares that (a) it is a duly organized and existing governmental unit of the State and has general taxing power; (b) no Bond which is part of this issue of Bonds is a “private activity bond” within the meaning of Section 141 of the Code; (c) at least 95% of the net proceeds of the Bonds will be used for local governmental activities of the City (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the City); (d) the aggregate face amount of all tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) issued by the City and all entities subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) during the calendar year in which the Bonds are issued is not reasonably expected to exceed \$5,000,000; and (e) the amount of tax-exempt obligations, including the Bonds, designated by the City as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bonds are issued does not exceed \$10,000,000. The City therefore certifies that the Bonds are eligible for the arbitrage rebate exception under Section 148(f)(4)(D) of the Code and designates the Bonds as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code.

Section 13. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the “defeased Bonds”) and to pay the costs of the refunding or defeasance. If money and/or “government obligations” (as defined in chapter 39.53 RCW, as now or hereafter amended) maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund or escrow account irrevocably pledged to that redemption, retirement or defeasance of defeased Bonds (hereinafter called the “trust account”), then all right and interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. The Owners of defeased Bonds shall have

the right to receive payment of the principal of and interest on the defeased Bonds from the trust account. The City shall include in the refunding or defeasance plan such provisions as the City deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the City shall determine, and for any required replacement of Bond certificates for defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the City may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine.

If the Bonds are registered in the name of DTC or its nominee, notice of any defeasance of Bonds shall be given to DTC in the manner prescribed in the Letter of Representations for notices of redemption of Bonds.

Section 14. Bond Fund and Deposit of Bond Proceeds. The Bond Fund is hereby created and established in the office of the Finance Director as a special fund designated the Limited Tax General Obligation and Refunding Bond Fund, 2012, for the purpose of paying principal of and interest on the Bonds. All taxes and other amounts allocated to the payment of the principal of and interest on the Bonds shall be deposited in the Bond Fund.

An amount necessary to prepay the Note shall be deposited into the Note Fund. The remaining principal proceeds of the Bonds shall be deposited as provided in Section 15 herein to pay costs of carrying out the Refunding Plan and to pay costs of issuing the Bonds.

Section 15. Refunding of the Refunded Bonds.

(a) Appointment of Refunding Trustee. The Bank of New York Mellon of New York, New York, is appointed Refunding Trustee.

(b) Use of Bond Proceeds; Acquisition of Acquired Obligations. A sufficient amount of the proceeds of the sale of the Bonds shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to discharge the obligations of the City relating to the Refunded Bonds under Ordinance No. 2003-15 by providing for the payment of the amounts required to be paid by the Refunding Plan. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations are listed and more particularly described in Exhibit A attached to the Refunding Trust Agreement between the City and the Refunding Trustee, but are subject to substitution as set forth below. Any Bond proceeds or other money deposited with the Refunding Trustee not needed to purchase the Acquired Obligations and provide a beginning cash balance, if any, and pay the costs of issuance of the Bonds shall be returned to the City at the time of delivery of the Bonds to the initial purchaser thereof and deposited in the Bond Fund to pay interest on the Bonds on the first interest payment date.

(c) Substitution of Acquired Obligations. Prior to the purchase of any Acquired Obligations by the Refunding Trustee, the City reserves the right to substitute other direct, noncallable obligations of the United States of America ("Substitute Obligations") for any of the Acquired Obligations and to use any savings created thereby for any lawful City purpose if, (a) in the opinion of the City's bond counsel, the interest on the Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148, and 149(d) of the Code, and (b) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm.

After the purchase of the Acquired Obligations by the Refunding Trustee, the City reserves the right to substitute therefor cash or Substitute Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such substitution will not cause the Bonds or the Refunded Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue dates of the Bonds and the Refunded Bonds, as applicable, and that the City obtain, at its expense: (1) a verification by a nationally recognized independent certified public accounting firm acceptable to the Refunding Trustee confirming that the payments of principal of and interest on the substitute securities, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (2) an opinion from bond counsel to the City, its successor, or other nationally recognized bond counsel to the City, to the effect that the disposition and substitution or purchase of such securities, under the statutes, rules, and regulations then in force and applicable to the Bonds, will not cause the interest on the Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Bonds. Any surplus money resulting from the sale, transfer, other disposition, or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the City to be used for any lawful City purpose.

(d) Administration of Refunding Plan. The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or substitute obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this ordinance. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of Ordinance No. 2003-15, this ordinance, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation, and expenses of the Refunding Trustee for the Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the Bonds, including bond printing, bond counsel's fees, and other related expenses, shall be paid out of the proceeds of the Bonds.

(e) Authorization for Refunding Trust Agreement. To carry out the Refunding Plan provided for by this ordinance, the Finance Director of the City is authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement setting forth the

duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption, and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation, and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the Finance Director of the City is authorized to make such changes therein that do not change the substance and purpose thereof or that assure that the escrow provided therein and the Bonds are in compliance with the requirements of federal law governing the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 16. Call for Redemption of the Refunded Bonds. The City calls for redemption on the Redemption Date, all of the Refunded Bonds at par plus accrued interest. Such call for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof. The date on which the Refunded Bonds are herein called for redemption is the first date on which those bonds may be called.

The proper City officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to Ordinance No. 2006-15 in order to effect the redemption prior to their maturity of the Refunded Bonds.

Section 17. City Findings with Respect to Refunding. The City Council finds and determines that the issuance and sale of the Bonds at this time will effect a savings to the City and is in the best interest of the City and its taxpayers and in the public interest. In making such finding and determination, the City Council has given consideration to the fixed maturities of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds and the known earned income from the investment of the proceeds of the issuance and sale of the Bonds and other money of the City used in the Refunding Plan pending payment and redemption of the Refunded Bonds.

The City Council further finds and determines that the money to be deposited with the Refunding Trustee for the Refunded Bonds in accordance with Section 15 of this ordinance will discharge and satisfy the obligations of the City under Ordinance No. 2003-15 with respect to the Refunded Bonds, and the pledges, charges, trusts, covenants, and agreements of the City therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under such ordinance immediately upon the deposit of such money with the Refunding Trustee.

Section 18. Undertaking to Provide Continuing Disclosure. To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds, the City makes the following written Undertaking for the benefit of holders of the Bonds:

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in subsection (b) of this section ("annual financial information");

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in subsection (b) of this section.

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in subsection (a) of this section:

(i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to State local governmental units such as the City, as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the City they will be provided; (2) outstanding general obligation bonds; (3) assessed valuation for the fiscal year; (4) regular property tax levy rate and regular property tax levy rate limit for the fiscal year; and (5) general fund revenues from other major tax sources;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City’s fiscal year ending December 31, 2012; and

(iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. The Undertaking evidenced by this section shall inure to the benefit of the City and any Beneficial Owner of Bonds, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with the Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any Beneficial Owner of a Bond shall be to take such actions as that Beneficial Owner deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Director of the City (or such other officer of the City who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the City in respect of the Bonds set forth in this section and in accordance with Rule 15c2-12, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in subsection (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;

(iii) Determining whether any person other than the City is an “obligated person” within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person in accordance with Rule 15c2-12;

(iv) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the City in carrying out the Undertaking; and

(v) Effecting any necessary amendment of the Undertaking.

Section 19. Approval of Bond Purchase Contract; Delivery of Bonds. The Underwriter has presented a purchase contract (the “Bond Purchase Contract”) to the City offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the City Clerk. The City Council finds that entering into the Bond Purchase Contract is in the City’s best interest and accepts the offer contained therein and authorizes its execution by the Mayor or Finance Director.

The Bonds will be printed at City expense and will be delivered to the purchaser in accordance with the Bond Purchase Contract, with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the Bonds.

Section 20. Official Statement. The City has been provided with copies of a preliminary official statement dated February 3, 2012, prepared in connection with the sale of the Bonds. For the sole purpose of the Underwriter’s compliance with paragraph (b)(1) of Rule 15c2-12, the City “deems final” that Preliminary Official Statement as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12 and ratifies the distribution by the Underwriter of that preliminary official statement to potential purchasers of the Bonds.

The City authorizes and approves the preparation, execution by the Mayor or Finance Director and delivery to the Underwriter of a final official statement for the Bonds, in the form of the preliminary official statement, with such modifications and amendments thereto as shall be deemed necessary or desirable by the City. The City authorizes and approves the distribution by the Underwriter of that final official statement to potential purchasers and purchasers of the Bonds.

Section 21. Supplemental Ordinances. The City Council from time to time and at any time may pass an ordinance or ordinances supplemental to this ordinance which supplemental ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more of the following purposes:

(a) To add covenants and agreements that do not adversely affect the interests of the holders and owners of the Bonds, or to surrender any right or power reserved to or conferred upon the City.

(b) To cure any ambiguities or to cure, correct or supplement any defective provision contained in this ordinance in a manner that does not materially adversely affect the interest of the holders and owners of the Bonds.

Section 22. General Authorization and Ratification. The Mayor, Finance Director, City Clerk, and other appropriate officers of the City are severally authorized and directed to take any actions and to execute documents as in their judgment may be necessary or desirable to carry out the terms of, and complete the transactions contemplated by, this ordinance and the Bond Purchase Contract (including everything necessary for the prompt delivery of the Bonds to the Underwriter and for the proper application, use and investment of the proceeds of the sale thereof), and all actions heretofore taken in furtherance thereof and not inconsistent with the terms of this ordinance are ratified and confirmed in all respects.

Section 23. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 24. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council and APPROVED by the Mayor of the City of Poulsbo, Washington, at an open public meeting thereof, this 15th day of February, 2012.



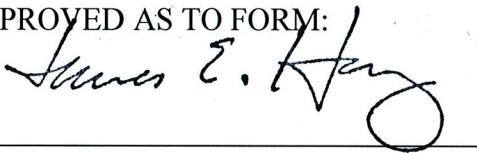
Rebecca Erickson, Mayor

ATTEST:



Jill A. Boltz, City Clerk

APPROVED AS TO FORM:



City Attorney

SUMMARY OF ORDINANCE NO. 2012-05

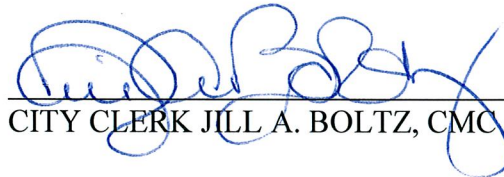
of the City of Poulsbo, Washington

On the 1st day of February, 2012, the City Council of the City of Poulsbo, passed Ordinance No. 2012-05. A summary of the content of said ordinance, consisting of the title, provides as follows:

AN ORDINANCE of the City of Poulsbo, Washington, relating to contracting indebtedness; providing for the issuance and sale of \$2,455,000 par value of Limited Tax General Obligation and Refunding Bonds, 2012, to prepay the City's Limited Tax General Obligation Bond Anticipation Note, 2010 and to currently refund the City's outstanding Limited Tax General Obligation Bonds, 2003; fixing the terms and covenants of the bonds; and providing for related matters.

The full text of this Ordinance will be mailed upon request.

DATED this 16th day of February, 2012.



CITY CLERK JILL A. BOLTZ, CMC

EXHIBIT A

Bond Maturity Schedule:

| <u>Maturity Years</u> | <u>Amounts</u> | <u>Interest Rates</u> |
|-----------------------|----------------|-----------------------|
| 2012 | \$ 160,000 | 0.40% |
| 2013 | 105,000 | 0.51 |
| 2014 | 100,000 | 0.64 |
| 2015 | 185,000 | 2.00 |
| 2016 | 180,000 | 2.00 |
| 2017 | 190,000 | 2.00 |
| 2020 | 280,000 | 2.50 |
| 2023 | 300,000 | 3.00 |
| 2026 | 330,000 | 3.25 |
| 2031 | 625,000 | 3.50 |

Allocation of Bonds:

| <u>Maturity Years</u> | <u>Refunding Allocation</u> | <u>Repayment of Note Allocation</u> | <u>Total</u> |
|-----------------------|-----------------------------|-------------------------------------|--------------|
| 2012 | \$ 160,000 | \$ 0 | \$ 160,000 |
| 2013 | 105,000 | 0 | 105,000 |
| 2014 | 100,000 | 0 | 100,000 |
| 2015 | 100,000 | 85,000 | 185,000 |
| 2016 | 95,000 | 85,000 | 180,000 |
| 2017 | 100,000 | 90,000 | 190,000 |
| 2020 | 0 | 280,000 | 280,000 |
| 2023 | 0 | 300,000 | 300,000 |
| 2026 | 0 | 330,000 | 330,000 |
| 2031 | 0 | 625,000 | 625,000 |
| Total | \$ 660,000 | \$ 1,795,000 | \$ 2,455,000 |

Mandatory Redemption Schedule:

Term Bonds Maturing 2020

| <u>Mandatory Redemption Years</u> | <u>Mandatory Redemption Amounts</u> |
|-----------------------------------|-------------------------------------|
| 2018 | \$ 90,000 |
| 2019 | 95,000 |
| 2020* | 95,000 |

*Maturity.

Term Bonds Maturing in 2023

| <u>Mandatory Redemption Years</u> | <u>Mandatory Redemption Amounts</u> |
|-----------------------------------|-------------------------------------|
| 2021 | \$ 95,000 |
| 2022 | 100,000 |
| 2023* | 105,000 |

*Maturity.

Term Bonds Maturing in 2026

| <u>Mandatory Redemption Years</u> | <u>Mandatory Redemption Amounts</u> |
|-----------------------------------|-------------------------------------|
| 2024 | \$ 105,000 |
| 2025 | 110,000 |
| 2026* | 115,000 |

*Maturity.

Term Bonds Maturing in 2031

| <u>Mandatory Redemption Years</u> | <u>Mandatory Redemption Amounts</u> |
|-----------------------------------|-------------------------------------|
| 2027 | \$ 115,000 |
| 2028 | 120,000 |
| 2029 | 125,000 |
| 2030 | 130,000 |
| 2031* | 135,000 |

*Final maturity.



February 15, 2012

Honorable City Council Members
City of Poulsbo
200 NE Moe Street
Poulsbo, Washington 98370

Re: City of Poulsbo, Washington
\$2,455,000 Limited Tax General Obligation and Refunding Bonds, 2012
Dated: March 1, 2012

Honorable City Council Members:

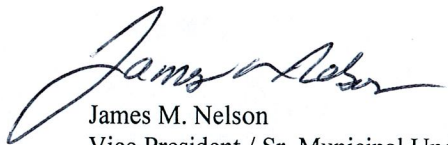
Martin Nelson & Co., Inc. ("Purchaser") offers to purchase from the City of Poulsbo, Washington ("Seller") all of the above-described bonds (the "Bonds"), on the terms and with the covenants, representations and warranties set forth below and contained in Appendices A and B (collectively the "Contract of Purchase"). These appendices are incorporated into this Contract of Purchase by reference, and contain a brief description of the Bonds, including principal amounts, maturities, interest rates, purchase price, and the proposed date and place of delivery and payment (the "Closing"). Other provisions of this Contract of Purchase are as follows:

1. Prior to the Closing, the Seller will approve the preliminary official statement regarding the Bonds, dated February 3, 2012 (the "Preliminary Official Statement"), and will adopt a bond ordinance authorizing the issuance of the Bonds (the "Bond Ordinance") with such changes as are requested by the Seller and their Counsel. The Purchaser is authorized by the Seller to use these documents and the information contained therein in connection with the public offering of the Bonds and the final official statement in connection with the sale and delivery of the Bonds (the "Final Official Statement").
2. Seller, to the best of its knowledge, represents and covenants to the Purchaser that:
 - (a) it has, as of this date, and will have at the Closing, the power and authority to enter into and perform this Contract of Purchase, to adopt the Bond Ordinance and to deliver and sell the Bonds to the Purchaser;
 - (b) this Contract of Purchase and the Bonds do not and will not conflict with, or constitute or create a breach of or default under, any existing law, regulation, order or agreement to which Seller is subject;
 - (c) no governmental approval or authorization other than those that will be obtained prior to Closing, is required in connection with the sale of the Bonds to the Purchaser;
 - (d) the Preliminary Official Statement (except for information concerning The Depository Trust Company ("DTC"), The Bank of New York Mellon and the Purchaser) with corrections, if any, by the Seller and its Counsel, as of its date and, except as to matters corrected or added in the Final Official Statement, as of the Closing, will be accurate and complete in all material respects to the knowledge and belief of the officers and employees of the Seller responsible for the issuance of the Bonds, after due review;
 - (e) the Seller has previously provided the Purchaser with a copy of the Preliminary Official Statement; and

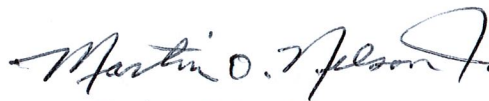
- (f) the Seller agrees to cooperate with the Purchaser to permit the Purchaser to deliver or cause to be delivered, within seven business days after any final agreement to purchase, offer, or sell the Bonds and in sufficient time to accompany any confirmation that requests payment from any customer of the Purchaser, copies of the Final Official Statement in sufficient quantity to comply with the rules of the Municipal Securities Rulemaking Board ("MSRB"). The Purchaser agrees to deliver three copies of the Final Official Statement to the MSRB and all nationally recognized municipal securities information repositories on the business day on which the Final Official Statement is available, and in any event no later than seven business days after the date hereof.
3. Seller will pay expenses related to the issuance and sale of the Bonds, including the fees and expenses of the Bond Counsel firm of Foster Pepper PLLC of Seattle, Washington ("Bond Counsel"), fees and expenses of the Purchaser associated with the issuance and registration of the Bonds including CUSIP and DTC fees as well as the cost of printing and distributing the Preliminary and Final Official Statements.
4. This Contract of Purchase is intended to benefit only the parties hereto, and the Seller's representations and warranties shall survive any investigation made by or for the Purchaser, delivery and payment for the Bonds, and the termination of this Contract of Purchase. Should the Seller fail to satisfy any of the foregoing conditions or covenants, or if the Purchaser's obligations are terminated for any reasons permitted under this Contract of Purchase, then neither the Purchaser nor the Seller shall have any further obligations under this Contract of Purchase.
5. At or prior to the Closing, the Seller will deliver, make available to the Purchaser or have adopted:
- (a) The Bonds, in book-entry form only in the name of Cede & Co., as bond owner and nominee for DTC;
- (b) A certificate from an authorized officer of the Seller, in form and substance acceptable to the Seller and the Purchaser, stating that execution of such certificate shall constitute execution of the Final Official Statement, and to the knowledge and belief of such officer, after due review, the Final Official Statement, as of its date and as of the Closing Date (except that in no event will any representation be made with respect to information concerning the Purchaser, The Bank of New York Mellon or DTC), does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading in any material respect, that there has not been any material adverse change in the normal operations or financial condition of the Seller since the date of the Final Official Statement, and that the representations of the Seller contained in this Contract of Purchase Agreement were true and correct when made and are true and correct as of the Closing Date;
- (c) The approving opinion of Bond Counsel, in substantially the form set forth in Appendix A of the Final Official Statement, dated the Closing Date;
- (d) The following documents executed by an authorized officer of the Seller:
- (1) A certificate, dated the day of the Closing to the effect that no litigation or other proceedings are pending or, to the knowledge of the Seller, threatened in any way affecting the issuance, sale or delivery of, or security for, any of the Bonds; and
- (2) A certified copy of the Bond Ordinance authorizing the sale of the Bonds.
- (e) The Seller agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the Seller for the benefit of the owners of the Bonds on or before the Closing as required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12, and in the form set forth in the Bond Ordinance.

6. This offer expires on the date, and at the time, set forth in Appendix A.

Respectfully submitted,

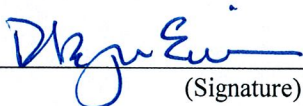


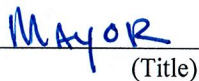
James M. Nelson
Vice President / Sr. Municipal Underwriter
Public Finance Department
Martin Nelson & Co., Inc.



Martin O. Nelson, Jr.
President
Martin Nelson & Co., Inc.

Accepted: February 15, 2012



(Signature)

(Title)

City of Poulsbo, Washington

Appendix A

Description Of \$2,455,000 Limited Tax General Obligation and Refunding Bonds, 2012

- (a) Bonds Dated: Date of Initial Delivery (which is anticipated to be March 1, 2012)
- (b) Purchase Price: \$2,505,603.50 (\$102.061242 per \$100.00)
- (c) Denominations: \$5,000, or integral multiples thereof within a single maturity.
- (d) Form: Book Entry Only and DTC Eligible
- (e) Interest Payment Date: June 1 and December 1, commencing June 1, 2012
- (f) Payment Schedule: See Appendix B on the following page.
- (g) Optional Redemption: The City reserves the right and option to redeem the Bonds maturing on or after December 1, 2017, prior to their stated maturity dates at any time on or after December 1, 2016 as a whole or in part (within one or more maturities selected by the City) at par plus accrued interest to the date fixed for redemption.
- (h) Mandatory Redemption: If not previously redeemed as described above or purchased in the open market under the provisions set forth in the Bond Ordinance, the Term Bonds due on December 1 in the years 2020, 2023, 2026 and 2031 will be called for redemption randomly (in such manner as the Bond Registrar shall determine) at a price of par, plus accrued interest, on December 1 in the years and amounts as follows:

2020 Term Bond

| <u>Mandatory Redemption Dates</u> | <u>Mandatory Redemption Amounts</u> |
|---------------------------------------|---|
| 2018 | \$90,000 |
| 2019 | 95,000 |
| 2020 (Maturity) | 95,000 |

2023 Term Bond

| <u>Mandatory Redemption Dates</u> | <u>Mandatory Redemption Amounts</u> |
|---------------------------------------|---|
| 2021 | \$95,000 |
| 2022 | 100,000 |
| 2023 (Maturity) | 105,000 |

2026 Term Bond

| <u>Mandatory Redemption Dates</u> | <u>Mandatory Redemption Amounts</u> |
|---------------------------------------|---|
| 2024 | \$105,000 |
| 2025 | 110,000 |
| 2026 (Maturity) | 115,000 |

2031 Term Bond

| <u>Mandatory Redemption Dates</u> | <u>Mandatory Redemption Amounts</u> |
|---------------------------------------|---|
| 2027 | \$115,000 |
| 2028 | 120,000 |
| 2029 | 125,000 |
| 2030 | 130,000 |
| 2031 (Final Maturity) | 135,000 |

- (i) Closing Date: March 1, 2012
- (j) Purchase Offer Expires: 11:59 p.m., February 15, 2012
- (k) Bond Counsel: Ms. Nancy Neraas, Foster Pepper PLLC, Seattle, Washington
- (l) True Interest Cost: 2.78%

Appendix B
Combined Payment Schedule of Principal and Interest
 (For Paying Off the Line of Credit and Refunding the 2003 Limited Tax General Obligation Bonds)

CITY OF POULSBORO - PAYOFF LINE OF CREDIT & CURRENT REFI 2003LT
 RATING OF AA, FUND 1.825
 20 YEAR FINANCING, CALLABLE BEGINNING ON 12/1/2016

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Debt Service Schedule

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| Date | Principal | Coupon | Interest | Period Total | Fiscal Total |
|----------|--------------|----------|------------|--------------|--------------|
| 6/ 1/12 | | | 15,378.88 | 15,378.88 | |
| 12/ 1/12 | 160,000.00 | 0.400000 | 30,757.75 | 190,757.75 | 206,136.63 |
| 6/ 1/13 | | | 30,437.75 | 30,437.75 | |
| 12/ 1/13 | 105,000.00 | 0.510000 | 30,437.75 | 135,437.75 | 165,875.50 |
| 6/ 1/14 | | | 30,170.00 | 30,170.00 | |
| 12/ 1/14 | 100,000.00 | 0.640000 | 30,170.00 | 130,170.00 | 160,340.00 |
| 6/ 1/15 | | | 29,850.00 | 29,850.00 | |
| 12/ 1/15 | 185,000.00 | 2.000000 | 29,850.00 | 214,850.00 | 244,700.00 |
| 6/ 1/16 | | | 28,000.00 | 28,000.00 | |
| 12/ 1/16 | 180,000.00 | 2.000000 | 28,000.00 | 208,000.00 | 236,000.00 |
| 6/ 1/17 | | | 26,200.00 | 26,200.00 | |
| 12/ 1/17 | 190,000.00 | 2.000000 | 26,200.00 | 216,200.00 | 242,400.00 |
| 6/ 1/18 | | | 24,300.00 | 24,300.00 | |
| 12/ 1/18 | 90,000.00 | 2.500000 | 24,300.00 | 114,300.00 | 138,600.00 |
| 6/ 1/19 | | | 23,175.00 | 23,175.00 | |
| 12/ 1/19 | 95,000.00 | 2.500000 | 23,175.00 | 118,175.00 | 141,350.00 |
| 6/ 1/20 | | | 21,987.50 | 21,987.50 | |
| 12/ 1/20 | 95,000.00 | 2.500000 | 21,987.50 | 116,987.50 | 138,975.00 |
| 6/ 1/21 | | | 20,800.00 | 20,800.00 | |
| 12/ 1/21 | 95,000.00 | 3.000000 | 20,800.00 | 115,800.00 | 136,600.00 |
| 6/ 1/22 | | | 19,375.00 | 19,375.00 | |
| 12/ 1/22 | 100,000.00 | 3.000000 | 19,375.00 | 119,375.00 | 138,750.00 |
| 6/ 1/23 | | | 17,875.00 | 17,875.00 | |
| 12/ 1/23 | 105,000.00 | 3.000000 | 17,875.00 | 122,875.00 | 140,750.00 |
| 6/ 1/24 | | | 16,300.00 | 16,300.00 | |
| 12/ 1/24 | 105,000.00 | 3.250000 | 16,300.00 | 121,300.00 | 137,600.00 |
| 6/ 1/25 | | | 14,593.75 | 14,593.75 | |
| 12/ 1/25 | 110,000.00 | 3.250000 | 14,593.75 | 124,593.75 | 139,187.50 |
| 6/ 1/26 | | | 12,806.25 | 12,806.25 | |
| 12/ 1/26 | 115,000.00 | 3.250000 | 12,806.25 | 127,806.25 | 140,612.50 |
| 6/ 1/27 | | | 10,937.50 | 10,937.50 | |
| 12/ 1/27 | 115,000.00 | 3.500000 | 10,937.50 | 125,937.50 | 136,875.00 |
| 6/ 1/28 | | | 8,925.00 | 8,925.00 | |
| 12/ 1/28 | 120,000.00 | 3.500000 | 8,925.00 | 128,925.00 | 137,850.00 |
| 6/ 1/29 | | | 6,825.00 | 6,825.00 | |
| 12/ 1/29 | 125,000.00 | 3.500000 | 6,825.00 | 131,825.00 | 138,650.00 |
| 6/ 1/30 | | | 4,637.50 | 4,637.50 | |
| 12/ 1/30 | 130,000.00 | 3.500000 | 4,637.50 | 134,637.50 | 139,275.00 |
| 6/ 1/31 | | | 2,362.50 | 2,362.50 | |
| 12/ 1/31 | 135,000.00 | 3.500000 | 2,362.50 | 137,362.50 | 139,725.00 |
| ----- | | | ----- | | |
| | 2,455,000.00 | | 745,252.13 | 3,200,252.13 | |
| ACCRUED | | | | | |
| | 2,455,000.00 | | 745,252.13 | 3,200,252.13 | |
| ===== | | | ===== | | |

Dated 3/ 1/12 with Delivery of 3/ 1/12
 Bond Years 24,321.250
 Average Coupon 3.064202
 Average Life 9.906823
 N I C % 2.856139 % Using 102.0612424
 T I C % 2.775202 % From Delivery Date

Prepared by: Martin Nelson & Co., Inc. - Public Finance - (888) 342-6864

Micro-Muni Sizing Date: 02-15-2012 @ 09:32:58 Filename: POULSBO Key: 2012LTGOREFI3

Appendix B.1 **Payment Schedule for Paying Off the Line of Credit**

CITY OF POULSBORO-PAYOFF LINE W LTGO BOND, AA, Callable 12/1/16
RATING OF AA, FUND 1.825MM, INTEREST ONLY 1ST 3 YEARS
20 YEAR FINANCING, terms in 2020, 2023, 2026 & 2031, 5yr call

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Debt Service Schedule

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| Date | Principal | Coupon | Interest | Period Total | Fiscal Total |
|----------|--------------|----------|------------|--------------|--------------|
| 6/ 1/12 | | | 13,450.00 | 13,450.00 | |
| 12/ 1/12 | | | 26,900.00 | 26,900.00 | 40,350.00 |
| 6/ 1/13 | | | 26,900.00 | 26,900.00 | |
| 12/ 1/13 | | | 26,900.00 | 26,900.00 | 53,800.00 |
| 6/ 1/14 | | | 26,900.00 | 26,900.00 | |
| 12/ 1/14 | | | 26,900.00 | 26,900.00 | 53,800.00 |
| 6/ 1/15 | | | 26,900.00 | 26,900.00 | |
| 12/ 1/15 | 85,000.00 | 2.000000 | 26,900.00 | 111,900.00 | 138,800.00 |
| 6/ 1/16 | | | 26,050.00 | 26,050.00 | |
| 12/ 1/16 | 85,000.00 | 2.000000 | 26,050.00 | 111,050.00 | 137,100.00 |
| 6/ 1/17 | | | 25,200.00 | 25,200.00 | |
| 12/ 1/17 | 90,000.00 | 2.000000 | 25,200.00 | 115,200.00 | 140,400.00 |
| 6/ 1/18 | | | 24,300.00 | 24,300.00 | |
| 12/ 1/18 | 90,000.00 | 2.500000 | 24,300.00 | 114,300.00 | 138,600.00 |
| 6/ 1/19 | | | 23,175.00 | 23,175.00 | |
| 12/ 1/19 | 95,000.00 | 2.500000 | 23,175.00 | 118,175.00 | 141,350.00 |
| 6/ 1/20 | | | 21,987.50 | 21,987.50 | |
| 12/ 1/20 | 95,000.00 | 2.500000 | 21,987.50 | 116,987.50 | 138,975.00 |
| 6/ 1/21 | | | 20,800.00 | 20,800.00 | |
| 12/ 1/21 | 95,000.00 | 3.000000 | 20,800.00 | 115,800.00 | 136,600.00 |
| 6/ 1/22 | | | 19,375.00 | 19,375.00 | |
| 12/ 1/22 | 100,000.00 | 3.000000 | 19,375.00 | 119,375.00 | 138,750.00 |
| 6/ 1/23 | | | 17,875.00 | 17,875.00 | |
| 12/ 1/23 | 105,000.00 | 3.000000 | 17,875.00 | 122,875.00 | 140,750.00 |
| 6/ 1/24 | | | 16,300.00 | 16,300.00 | |
| 12/ 1/24 | 105,000.00 | 3.250000 | 16,300.00 | 121,300.00 | 137,600.00 |
| 6/ 1/25 | | | 14,593.75 | 14,593.75 | |
| 12/ 1/25 | 110,000.00 | 3.250000 | 14,593.75 | 124,593.75 | 139,187.50 |
| 6/ 1/26 | | | 12,806.25 | 12,806.25 | |
| 12/ 1/26 | 115,000.00 | 3.250000 | 12,806.25 | 127,806.25 | 140,612.50 |
| 6/ 1/27 | | | 10,937.50 | 10,937.50 | |
| 12/ 1/27 | 115,000.00 | 3.500000 | 10,937.50 | 125,937.50 | 136,875.00 |
| 6/ 1/28 | | | 8,925.00 | 8,925.00 | |
| 12/ 1/28 | 120,000.00 | 3.500000 | 8,925.00 | 128,925.00 | 137,850.00 |
| 6/ 1/29 | | | 6,825.00 | 6,825.00 | |
| 12/ 1/29 | 125,000.00 | 3.500000 | 6,825.00 | 131,825.00 | 138,650.00 |
| 6/ 1/30 | | | 4,637.50 | 4,637.50 | |
| 12/ 1/30 | 130,000.00 | 3.500000 | 4,637.50 | 134,637.50 | 139,275.00 |
| 6/ 1/31 | | | 2,362.50 | 2,362.50 | |
| 12/ 1/31 | 135,000.00 | 3.500000 | 2,362.50 | 137,362.50 | 139,725.00 |
| ----- | | | ----- | | |
| | 1,795,000.00 | | 714,050.00 | 2,509,050.00 | |
| ACCRUED | | | | | |
| | 1,795,000.00 | | 714,050.00 | 2,509,050.00 | |
| ===== | | | ===== | | |

Dated 3/ 1/12 with Delivery of 3/ 1/12
Bond Years 22,341.250
Average Coupon 3.196106
Average Life 12.446379
N I C % 3.005738 % Using 102.3693955
T I C % 2.938129 % From Delivery Date

Prepared by: Martin Nelson & Co., Inc. - Public Finance - (888) 342-6864

Micro-Muni Sizing Date: 02-15-2012 @ 09:20:33 Filename: POULSBO Key: 1.825LTI320AA

Appendix B.2

Payment Schedule for Refunding the 2003 LTGO Bonds

CITY OF POULSBORO - CURRENT REFUNDING OF 2003 ADJUSTED LTGO
AA RATED, Callable beginning 12/1/2016
\$660,000

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Savings Report

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| Date | Principal | Proposed Debt Service Coupon | Interest | Total | Prior Debt Service | Savings | Cumulative Savings |
|----------|------------|---------------------------------|-----------|------------|-----------------------|----------|-----------------------|
| 6/ 1/12 | | | 1,928.88 | | | | |
| 12/ 1/12 | 160,000.00 | 0.400000 | 3,857.75 | 165,786.63 | 172,017.00 | 6,230.38 | 9,986.38 |
| 6/ 1/13 | | | 3,537.75 | | | | |
| 12/ 1/13 | 105,000.00 | 0.510000 | 3,537.75 | 112,075.50 | 120,160.00 | 8,084.50 | 18,070.88 |
| 6/ 1/14 | | | 3,270.00 | | | | |
| 12/ 1/14 | 100,000.00 | 0.640000 | 3,270.00 | 106,540.00 | 116,410.00 | 9,870.00 | 27,940.88 |
| 6/ 1/15 | | | 2,950.00 | | | | |
| 12/ 1/15 | 100,000.00 | 2.000000 | 2,950.00 | 105,900.00 | 112,510.00 | 6,610.00 | 34,550.88 |
| 6/ 1/16 | | | 1,950.00 | | | | |
| 12/ 1/16 | 95,000.00 | 2.000000 | 1,950.00 | 98,900.00 | 108,510.00 | 9,610.00 | 44,160.88 |
| 6/ 1/17 | | | 1,000.00 | | | | |
| 12/ 1/17 | 100,000.00 | 2.000000 | 1,000.00 | 102,000.00 | 109,410.00 | 7,410.00 | 51,570.88 |
| | 660,000.00 | | 31,202.13 | 691,202.13 | 739,017.00 | | 51,570.88 |
| ACCRUED | | | | | | | |
| | 660,000.00 | | 31,202.13 | 691,202.13 | 739,017.00 | | 51,570.88 |
| | ===== | | ===== | ===== | ===== | | ===== |

Dated 3/ 1/12 with Delivery of 3/ 1/12

Bond Years 1,980.000

Average Coupon 1.575865

Average Life 3.000000

N I C % 1.168145 % Using 101.2231591

T I C % 1.152474 % From Delivery Date

N O T E : Cumulative Savings are Net of the Initial Transfer Amount of -3,756.00

Net Present Value Savings at: 1.1500% Equals 49,904.29 or 7.5613% of Par of the Current Issue
or 7.5613% of Par of the Prior Issue

N O T E : Present Value Savings are Net of the Initial Transfer Amount of -3,756.00

Prepared by: Martin Nelson & Co., Inc. - Public Finance - (888) 342-6864

Micro-Muni Debt Date: 02-15-2012 @ 09:54:50 Filename: POULSBORO Key: REFI03LTGOADJ