

CITY OF GIG HARBOR, WASHINGTON

LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2021

ORDINANCE NO. 1464

AN ORDINANCE OF THE CITY OF GIG HARBOR, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF A LIMITED TAX GENERAL OBLIGATION REFUNDING BOND IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$1,150,000 TO PROVIDE FUNDS TO REFUND CERTAIN OUTSTANDING LIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY; DELEGATING CERTAIN AUTHORITY TO APPROVE THE FINAL TERMS OF THE BOND TO THE DESIGNATED REPRESENTATIVE IN CONNECTION WITH THE SALE.

APPROVED ON AUGUST 9, 2021

PREPARED BY:

K&L GATES LLP

CITY OF GIG HARBOR, WASHINGTON
ORDINANCE NO. _____

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* This Table of Contents and the cover page are not a part of this ordinance; they are included for convenience of the reader only.

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WHEREAS, the City of Gig Harbor, Washington (the “City”) issued on June 29, 2010, its Limited Tax General Obligation and Refunding Bonds, 2010 pursuant to Ordinance No. 1190 passed on June 14, 2010, in the original aggregate principal amount of \$7,730,000 (the “2010 Bonds”), which remain outstanding as follows:

Maturity Date (June 1)	Principal Amounts	Interest Rates
2022	\$ 485,000	4.50%
2023	505,000	4.50
2024	525,000	4.50
2025	550,000	4.50
2026	580,000	4.50

; and

WHEREAS, the 2010 Bonds maturing on and after June 1, 2021 are callable for redemption in whole or in part on any date on or after June 1, 2020, at a price of par plus accrued interest to the date of redemption; and

WHEREAS, after due consideration it appears to the City Council that debt service savings may be obtained by refunding all or a portion of the callable 2010 Bonds (the “Refunding Candidates”) through the issuance of a limited tax general obligation refunding bond of the City in the aggregate principal amount of not to exceed \$1,150,000 (the “Bond”), in addition to using approximately \$1,600,000 of dedicated reserve funds of the City; and

WHEREAS, in order to provide the funds required for such purpose, the City now desires to authorize the issuance of a Bond; and

WHEREAS, the City Council has determined to delegate to certain City officials the authority, for a limited time, to solicit proposals and accept bid for the purchase of the Bond and approve the final principal amount, to select the Refunding Candidates to be defeased and/or refunded (the “Refunded Bonds”), the interest rate, maturity date, and prepayment provisions of the Bond authorized herein under such terms and conditions as are approved by this ordinance;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GIG HARBOR, WASHINGTON, DOES ORDAIN, as follows:

Section 1. Definitions. As used in this ordinance, unless a different meaning clearly appears from the context:

Acquired Obligations mean the Government Obligations acquired by the City under the terms of this ordinance and the Escrow Agreement to effect the defeasance and refunding of the Refunded Bonds.

Approved Bid means the winning bid submitted for the Bond and all terms stated therein and may include a separate agreement, at the option of and approved by the Designated Representative.

Bond means the City of Gig Harbor, Washington Limited Tax General Obligation Refunding Bond, 2021, to be issued in the aggregate amount of not to exceed \$1,150,000 issued pursuant to this ordinance.

Bond Counsel means K&L Gates LLP.

Bond Fund means the Limited Tax General Obligation Bond Redemption Fund, 2021 created pursuant to Section 9 of this ordinance.

Bond Register means the registration records maintained by the Bond Registrar for the purpose of identifying ownership of the Bond.

Bond Registrar means the fiscal agent of the State of Washington, initially appointed by the Designated Representative for the purposes of registering and authenticating the Bond, maintaining the Bond Register, effecting transfer of ownership of the Bond and paying interest on and principal of the Bond. The term **Bond Registrar** shall include any successor to the functions of the fiscal agent appointed by the Designated Representative pursuant to RCW 39.46.030(3)(b).

Call Date means such date as indicated in writing by the Designated Representative.

City means the City of Gig Harbor, Washington, a municipal corporation of the State of Washington.

City Administrator means the duly qualified, appointed and acting City Administrator of the City, or any other officer who succeeds to the duties now delegated to that office.

Closing Date means the date of issuance and delivery of the Bond to the Purchaser.

Code means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

Cost of Issuance Agreement means the agreement of that name, to be entered into by the City and the Escrow Agent, providing for the payment of certain costs of issuance with respect to the issuance of the Bond.

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

Designated Representative means any of the following: (a) the Mayor, (b) the Finance Director, (c) the City Administrator or (d) any official or employee of the City designated in writing by any of the foregoing.

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

Escrow Agreement means the Escrow Deposit Agreement to be dated as of the date of closing and delivery of the Bond.

Final Maturity Date means the date as determined in the Approved Bid, but no later than June 1, 2026.

Finance Director means the duly qualified, appointed and acting Finance Director of the City, or any other officer who succeeds to the duties now delegated to that office.

First Interest Payment Date means the first interest payment date for the Bond set forth in the Approved Bid.

Fiscal Agent means U.S. Bank National Association, as the fiscal agency of the State of Washington, pursuant to the Agreement for Fiscal Agency Services, dated February 1, 2015, as amended, between the State of Washington and U.S. Bank National Association.

Mayor means the duly qualified, elected and acting Mayor of the City, or any other person who succeeds to the duties now delegated to that office.

Placement Agent means D.A. Davidson & Co., Seattle, Washington.

Principal Payment Dates mean the dates on which principal of the Bond is payable in accordance with the Approved Bid.

Purchaser means the initial purchasing entity or bank purchaser of the Bond.

Refunded Bonds mean the Refunding Candidates selected by the Designated Representative pursuant to Section 7 hereof.

Refunding Candidates mean the 2010 Bonds maturing on and after June 1, 2022.

Registered Owner means the person named as the registered owner of a Bond in the Bond Register.

Rule means the SEC's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Savings Target means a dollar amount equal to at least four percent (4.00%) of the outstanding principal of the Refunded Bonds.

SEC means the United States Securities and Exchange Commission.

2010 Bond Ordinance means Ordinance No. 1190, passed by the City Council on June 14, 2010.

2010 Bonds mean the Limited Tax General Obligation and Refunding Bonds, 2010 of the City issued under date of June 29, 2010, as more particularly described in the recitals of this ordinance.

Interpretation. In this ordinance, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this ordinance;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect; and

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

Section 2. Authorization of Bond and Bond Details. For the purpose of refunding the Refunded Bonds and paying the costs of issuance related thereto, and thereby effecting a savings to the City and its taxpayers, the City shall issue its limited tax general obligation refunding bond in the aggregate principal of not to exceed \$1,150,000 (the “Bond”).

The Bond shall be designated as the “City of Gig Harbor, Washington, Limited Tax General Obligation Refunding Bond, 2021,” shall be dated as of the Closing Date, shall be fully registered as to both principal and interest, shall be issued as a single fully registered bond, and shall be numbered in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification.

The Bond shall bear interest at the per annum rate(s), payable on the date(s) and maturing in principal amount(s) set forth in the Approved Bid, pursuant to Section 10 of this ordinance.

Section 3. Registration, Exchange and Payments. The City hereby initially specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agents. The duties of the Bond

Registrar hereunder shall be limited to authenticating the Bond and to remitting money to the Purchaser on the payment dates as provided therein. Principal of and interest on the Bond shall be payable in lawful money of the United States of America. Installments of principal of and interest on the Bond shall be paid by check, wire, or electronic transfer on the date due to the Purchaser; *provided, however,* upon final payment of all installments of principal and interest thereon, the Bond shall be submitted to the Bond Registrar for cancellation and surrender.

The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Bond and to carry out all of the Bond Registrar’s powers and duties under this ordinance.

The Bond shall not be transferable, except in whole to a financial institution subject to the further limitations set forth in the Approved Bid.

Section 4. Prepayment. The Bond shall be subject to prepayment, if any, as provided in the Approved Bid.

Section 5. Form of Bond. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. R-1

[\$1,150,000]

STATE OF WASHINGTON

CITY OF GIG HARBOR

LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2021

INTEREST RATE: _____ % per annum

MATURITY DATE: [June 1, 2026]

REGISTERED OWNER: _____

TAX IDENTIFICATION #: _____

PRINCIPAL AMOUNT: [ONE MILLION ONE HUNDRED FIFTY THOUSAND] AND NO/100 DOLLARS

THE CITY OF GIG HARBOR, WASHINGTON, a municipal corporation organized and existing under and by virtue of the laws and Constitution of the State of Washington (the "City"), hereby acknowledges itself to owe, and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount specified above, together with interest thereon, at the Interest Rate, which interest shall be payable [semi][annually] on _____ 1 and _____ 1 of each year until paid, commencing on _____ 1, 202___. Principal shall be repaid in annual installments as provided on Exhibit A attached hereto. Interest shall be calculated on the basis of [a 360-day year consisting of twelve 30-day months]. The final payment of all outstanding principal, together with interest thereon, shall be due on [June 1, 2026] .

Both principal of and interest on this bond are payable in lawful money of the United States of America. Payments made to the Registered Owner shall be applied first to accrued interest and then to principal as of the date such payment is actually received by the Registered Owner. Installments of the principal of and interest on this bond shall be paid by check or draft of the fiscal agent of the State of Washington (the "Bond Registrar") mailed on the date such principal and interest is due or by electronic funds transfer made on the date such interest is due to the Registered Owner at the address appearing on the Bond Register. Upon final payment of all installments of principal and interest thereon, this bond shall be submitted to the Bond Registrar for cancellation and surrender.

This bond may be prepaid in accordance with the following terms; _____ .

This bond is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. _____ duly passed by the City Council on _____, 2021 (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

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

This bond is issued pursuant to the Bond Ordinance for providing funds to refund certain outstanding limited tax general obligation bonds of the City.

By the Bond Ordinance, the City has irrevocably covenanted that, unless the principal of and interest on this bond are paid from other sources, it will make annual levies of taxes without limitation as to rate or amount upon all of the property in the City subject to taxation for the payment of debt service on the Bond in amounts sufficient to pay such principal and interest as provided in the Bond. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the payment of such principal and interest.

This bond has been designated by the City as a “qualified tax-exempt obligation” for investment by financial institutions under Section 265(b) of the Code.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this bond does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Gig Harbor, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Clerk of the City, and a facsimile of the seal of the City to be impressed, imprinted or otherwise reproduced hereon, as of this _____ day of _____, 2021.

[SEAL]

CITY OF GIG HARBOR, WASHINGTON

By _____ /s/ manual or facsimile signature
Mayor

ATTEST:

_____/s/ manual or facsimile signature
City Clerk

The Certificate of Authentication for the Bond shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is the bond described in the within-referenced Bond Ordinance as the City of Gig Harbor, Washington Limited Tax General Obligation Refunding Bond, 2021, dated _____, 2021.

WASHINGTON STATE FISCAL AGENT,
as Bond Registrar

By _____
Authorized Signer

Exhibit A
Debt Service Schedule

Section 6. Execution of Bond. The Bond shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk, and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon. The Bond shall not be valid or obligatory for any purpose or entitled to the benefits of this ordinance unless and until a Certificate of Authentication, in the form hereinbefore recited, has been manually executed by or on behalf of the Bond Registrar or its duly designated agent.

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

Section 7. Disposition of Bond Proceeds; Refunding Plan and Procedures.

(a) *Refunding Plan.* A portion of the proceeds of sale of the Bond, together with other funds of the City, if any, provided by the City shall be delivered to the Escrow Agent for the purpose of defeasing the Refunded Bonds and paying related costs of issuance. Money received by the Escrow Agent from Bond proceeds shall be used immediately by the Escrow Agent upon receipt thereof in accordance with the terms of the Escrow Agreement to defease the Refunded Bonds as authorized by the 2010 Bond Ordinance, respectively, and pay costs of issuance of the Bond. The Escrow Agent shall use the beginning cash balance, and/or purchase Government Obligations (which obligations so purchased, are herein called "Acquired

Obligations”), if any, bearing such interest and maturing as to principal and interest in such amounts and at such times to provide for the payment of:

- (1) Interest on the Refunded Bonds as such becomes due on and prior to the Call Date; and
- (2) The redemption price (100% of the principal amount) of the Refunded Bonds payable on the Call Date.

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

(b) *Escrow Agent/Escrow Agreement.* U.S. Bank National Association, is hereby authorized to act as the escrow agent (the “Escrow Agent”) for the Refunded Bonds. The Designated Representative is hereby authorized to designate an accounting firm to act as escrow verification agent, if required. A beginning cash balance, if any, and Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the Refunded Bonds. The proceeds of the Bond after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Bond.

In order to carry out the purposes of this section, the Finance Director is authorized and directed to execute and deliver to the Escrow Agent, an Escrow Deposit Agreement and a Cost of Issuance Agreement, if required, each substantially in the forms attached hereto as Exhibit A and Exhibit B, respectively.

(c) *Implementation of Refunding Plan.* The City hereby irrevocably calls the Refunded Bonds for redemption on the Call Date in accordance with the provisions of the 2010

Bond Ordinance, respectively. Said defeasance and call for redemption of the Refunded Bonds shall be irrevocable after the final establishment of the escrow account and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notices of the redemption of the Refunded Bonds in accordance with the applicable provisions of the 2010 Bond Ordinance, respectively. The Finance Director is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notices therefor. The costs of publication of such notices shall be an expense of the City.

The Escrow Agent is hereby authorized and directed to pay to the paying agent for the Refunded Bonds, sums sufficient to pay, when due, the payments specified in of subsection (c) above. All such sums shall be paid from the money and Acquired Obligations deposited with said Escrow Agent pursuant to this section, and the income therefrom and proceeds thereof.

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

Section 8. Tax Covenants: Special Designation.

(a) *Arbitrage Covenant.* The City hereby covenants that it will not make any use of the proceeds of sale of the Bond or any other funds of the City which may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code which will cause the Bond to be an “arbitrage bond” within the meaning of said section and said regulations. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bond) and the applicable regulations thereunder throughout the term of the Bond.

(b) *Designation under Section 265(b) of the Code.* The City hereby designates the Bond as a “qualified tax-exempt obligation” for purchase by financial institutions pursuant to

Section 265(b) of the Code. The City does not anticipate that it will issue more than \$10,000,000 in qualified tax-exempt obligations during the year 2020 (excluding obligations permitted by the Code to be excluded for purposes of the City's qualification as a qualified small issuer).

Section 9. Bond Fund and Provision for Tax Levy Payments. A special fund of the City known as the "Limited Tax General Obligation Bond Redemption Fund, 2021" which fund or account may be designated or re-designated in accordance with the practices of the City from time to time (the "Bond Fund"), is hereby authorized to be established and maintained in the office of the Finance Director of the City. The taxes hereafter levied for the purpose of paying principal of and interest on the Bond and other funds to be used to pay the Bond shall be deposited in the Bond Fund no later than the date such funds are required for the payment of principal of and interest on the Bond. Money in the Bond Fund not needed to pay the interest or principal next coming due may temporarily be deposited in such institutions or invested in such obligations as may be lawful for the investment of City funds.

The City hereby irrevocably covenants and agrees for as long as the Bond is outstanding and unpaid that each year it will include in its budget and levy an *ad valorem* tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bond as the same shall become due. All of such taxes so collected and any other money to be used for such purposes shall be paid into the Bond Fund.

The City hereby irrevocably pledges that the annual tax provided for herein to be levied for the payment of such principal and interest shall be within and as a part of the tax levy permitted to cities without a vote of the people, and that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on

the Bond will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bond. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bond as the same shall become due.

Section 10. Sale of the Bond The Council has determined that it would be in the best interest of the City to delegate to the Designated Representative for a limited time the authority, working with the City's Placement Agent, to solicit proposals from financial institutions and review and select a financial institution as the Purchaser. The actions of the Designated Representative in reviewing and approving a term sheet distributed to financial institutions is hereby ratified and approved. The Designated Representative is further authorized to approve the final principal amount, interest rate, maturity dates, including the Final Maturity Date, the Principal Payment Dates and the First Interest Payment Date, prepayment provisions and other terms and conditions of the Bond so long as (i) the aggregate principal amount of the Bond does not exceed \$1,150,000; (ii) the interest rate of the Bond, if issued as a fixed rate per annum, does not exceed 2.20%, or if issued as a variable rate, uses an index approved by the Designated Representative, (iii) the Savings Target is achieved; and (iv) the maximum term of the Bond shall be no later than June 1, 2026 (the final maturity date of the Refunded Bonds). Upon approval of the final terms, the Designated Representative will execute a certificate confirming the final sales terms which certificate shall be made available to the Council.

The authority granted to the Designated Representative by this section shall remain in effect until December 31, 2021. If the sale for the Bond has not been completed by December 31, 2021, the authorization for the issuance of the Bond shall be rescinded, and the Bond shall not be issued nor its sale approved unless the Bond shall have been re-authorized by

ordinance of the City. The ordinance reauthorizing the issuance and sale of the Bond may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance establishing terms and conditions for the authority delegated under this section.

Upon the adoption of this ordinance, the proper officials of the City including the Designated Representative, are authorized and directed to undertake all other actions necessary for the prompt sale, execution and delivery of the Bond and further to execute all closing certificates and documents required to effect the closing and delivery of the Bond in accordance with the terms of the Approved Bid. In furtherance of the foregoing, the Designated Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including the fees and expenses specified in the Approved Bid, including fees and expenses of the Purchaser and other retained services, including Bond Counsel, Placement Agent, Fiscal Agent, and other expenses customarily incurred in connection with issuance and sale of the Bond.

Section 11. Undertaking to Provide Information. The City is exempt from the ongoing disclosure requirements of the Rule by reason of the exemption set forth in subsection (d)(1) of that Rule with respect to the issuance of securities in authorized denominations of \$100,000 or more. If approved in the Approved Bid, the City may undertake to provide certain City operational or financial information to the Purchaser during the term of the Bond.

Section 12. Ordinance and Laws a Contract with the Purchaser. This ordinance is adopted under the authority of and in full compliance with the Constitution and laws of the State of Washington. In consideration of the loan made by the Purchaser, evidenced by the Bond, the provisions of this ordinance and of said laws shall constitute a contract with the Purchaser, and

the obligations of the city and its Council under said laws and under this ordinance shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein and in the Bond set forth shall be for the equal benefit of the Purchaser and any permitted transferee or assignee.

Section 13. Ratification; General Authorization. The Mayor, City Administrator and Finance Director and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

Section 14. Severability. If one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bond.

Section 15. Effective Date. This ordinance shall take effect and be in full force five (5) days after this ordinance or a summary thereof consisting of the title is published.

PASSED by the Council of the City of Gig Harbor, Washington at a regular meeting held on the 9th day of August, 2021.

CITY OF GIG HARBOR, WASHINGTON



Mayor

ATTEST:



City Clerk

First Reading: July 26, 2021
Date Adopted: August 9, 2021
Date of Publication: August 12, 2021
Effective Date: August 17, 2021

EXHIBIT A

ESCROW DEPOSIT AGREEMENT

**CITY OF GIG HARBOR, WASHINGTON
LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2021**

THIS ESCROW AGREEMENT, dated as of _____, 2021 (herein, together with any amendments or supplements hereto, called the “Agreement”) is entered into by and between the City of Gig Harbor, Washington (herein called the “City”) and U.S. Bank National Association, Seattle, Washington as escrow agent (herein, together with any successor in such capacity, called the “Escrow Agent”). The notice addresses of the City and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

WITNESSETH:

WHEREAS, the City heretofore has issued and there presently remain outstanding the obligations described in Exhibit B attached hereto (the “Refunded Bonds”); and

WHEREAS, pursuant to Ordinance No. _____ passed on _____, 2021 (the “Bond Ordinance”), the City has determined to issue its Limited Tax General Obligation Refunding Bond, 2021 (the “Bond”); and

WHEREAS, the Escrow Agent has reviewed this Agreement and the Bond Ordinance, and is willing to serve as Escrow Agent; and

WHEREAS, the Bond has been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the redemption price of the Refunded Bonds as shown on Exhibit C; and

WHEREAS, the proceeds of the Bond are being used for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

[**WHEREAS**, _____, has prepared a verification report which is dated _____, 2021 (the “Verification Report”) relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds; and]

WHEREAS, simultaneously herewith, the City is entering into a Cost of Issuance Agreement with the Escrow Agent to provide for the payment of costs of issuance relating to the Bond; and

WHEREAS, pursuant to the Bond Ordinance, the Refunded Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Refunded Bonds will come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit C attached hereto and made a part hereof; and

WHEREAS, the City desires that, concurrently with the delivery of the Bond to the Purchaser, the proceeds of the Bond, [together with certain other available funds of the City,] shall be [applied to purchase certain direct obligations of the United States of America hereinafter defined as (the “Escrowed Securities”) to be] deposited to the credit of the Refunding Account and to establish a beginning cash balance (if needed) in the Refunding Account; and

WHEREAS, when [the Escrowed Securities] [the proceeds of the Bond] have been deposited with the Escrow Agent for the payment of all principal and interest of the Refunded Bonds when due, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the City and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

Article 1. Definitions

Section 1.1. Definitions.

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

Escrowed Securities mean the [noncallable Government Obligations described in Exhibit D attached to this Agreement, or] cash or other noncallable obligations substituted therefore pursuant to Section 4.2 of this Agreement.

Government Obligations mean direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations – State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

Paying Agent means the fiscal agency of the State of Washington, as the paying agent for the Refunded Bonds.

Refunding Account means the fund created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

Section 1.2. Other Definitions.

The terms “Agreement,” “City,” “Escrow Agent,” “Bond Ordinance,” “Verification Report,” “Refunded Bonds,” and “Bond” when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.3. Interpretations.

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

Article 2. Deposit of Funds and Escrowed Securities

Section 2.1. Deposits in the Refunding Account.

Concurrently with the sale and delivery of the Bond the City shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Refunding Account, the funds (from the proceeds of the Bond [and a cash contribution by the City]) [sufficient to purchase the Escrowed Securities described in Exhibit D attached hereto,] and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the City in writing.

Article 3. Creation and Operation of Refunding Account

Section 3.1. Refunding Account.

The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Refunding Account (the "Refunding Account"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Refunding Account the funds [and the Escrowed Securities described in Exhibit D attached hereto]. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Refunding Account, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Refunding Account shall be transferred to the City, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal and Interest.

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances from time to time on deposit in the Refunding Account, the amounts required to pay the principal of the Refunded Bonds at their respective redemption dates and interest thereon to such redemption dates in the amounts and at the times shown in Exhibit C attached hereto.

Section 3.3. Sufficiency of Refunding Account.

The City represents that, based upon the information provided in the Verification Report, the receipt[s] of the [principal of and interest on the Escrowed Securities] [Bond proceeds] will assure that the cash balance on deposit from time to time in the Refunding Account will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as the Refunded Bonds are paid on an optional redemption date prior to maturity, all as more fully set forth in Exhibit E attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Refunding Account shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2, the City shall timely deposit in the Refunding Account, from any funds that are lawfully available herefore, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Refunding Account or the City's failure to make additional deposits thereto.

Section 3.4. Trust Fund.

The Escrow Agent or its affiliate, shall hold at all times the Refunding Account [, the Escrowed Securities] and all other assets of the Refunding Account, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the [Escrowed Securities or any other] assets of the Refunding Account to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Refunding Account only as set forth herein. The [Escrowed Securities and other] assets of the Refunding Account shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Bonds shall be entitled to the same preferred claim and first lien upon the [Escrowed Securities, the proceeds thereof, and] all other assets of the Refunding Account to which they are entitled as owners of the Refunded Bonds. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the City, and the Escrow Agent shall have no right to title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the City or, except to the extent expressly herein provided, by the Paying Agent.

Article 4. Limitation on Investments

Section 4.1. Investments.

Except [for the initial investment in the Escrowed Securities, and except] as provided in Section 4.2 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder[, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities].

Section 4.2. Substitution of Securities.

At the written request of the City, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Refunding Account, [or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities] and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Refunding Account to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the City in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of its bond counsel or tax counsel to the effect that such transaction will not cause any of the Bond or Refunded Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Article 5. Application of Cash Balances

Section 5.1. In General.

Except as provided in Section 2.1, 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Refunding Account. Cash balances shall be held by the Escrow Agent in United States currency as cash balances as shown on the books and records of the Escrow Agent and, except as provided herein, shall not be reinvested by the Escrow Agent; provided, however, a conversion to currency shall not be required (i) for so long as the Escrow Agent's internal rate of return does not exceed 20%, or (ii) if the Escrow Agent's internal rate of return exceeds 20%, the Escrow Agent receives a letter of instructions, accompanied by the opinion of nationally recognized bond counsel, approving the assumed reinvestment of such proceeds at such higher yield.

Article 6. Redemption of Refunded Bonds

Section 6.1. Call for Redemption.

The City hereby irrevocably calls the Refunded Bonds for redemption on their earliest redemption dates, as shown in the Verification Report and on Appendices A-1 and A-2 attached hereto.

Section 6.2. Notice of Redemption/Notice of Defeasance.

The Escrow Agent agrees to give a notice of defeasance and a notice of the redemption of the Refunded Bonds pursuant to the terms of the Refunded Bonds and in substantially the forms attached hereto as Appendices A and B attached hereto and as described on said Appendices A and B to the Paying Agent for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption shall be given in accordance with the ordinance authorizing the Refunded Bonds. The Escrow

Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

Article 7. Records and Reports

Section 7.1. Records.

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money [and Escrowed Securities] deposited to the Refunding Account and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

Section 7.2. Reports.

While this Agreement remains in effect, the Escrow Agent quarterly shall prepare and send to the City a written report summarizing all transactions relating to the Refunding Account during the preceding financial quarter, including, without limitation, [credits to the Refunding Account as a result of interest payments on or maturities of the Escrowed Securities and] transfers from the Refunding Account for payments on the Refunded Bonds or otherwise, together with a detailed statement of [all Escrowed Securities and] the cash balance on deposit in the Refunding Account as of the end of such period.

Article 8. Concerning the Paying Agent and Escrow Agent

Section 8.1. Representations.

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 8.2. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of [the Escrowed Securities and] the cash balances from time to time on deposit in the Refunding Account. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Refunding Account [or any failure of the obligors of the Escrowed Securities to make timely payment thereon], except for the obligation to notify the City promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Bond shall be taken as the statements of the City and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

The Escrow Agent is not a party to the proceedings authorizing the Bond or the Refunded Bonds and is not responsible for nor bound by any of the provisions thereof (except to the extent

that the Escrow Agent may be a place of payment and paying agent and/or a paying agent/registrant hereof). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Refunding Account, or any part thereof, or as to the title of the City thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own neglect or willful misconduct, nor for any loss unless the same shall have been through its negligence or bad faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the City with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Refunding Account, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the City or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the City at any time.

Section 8.3. Successor Escrow Agents.

Any corporation, association or other entity into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or otherwise transfer all or substantially all of its corporate trust assets and business or any corporation, association or other entity resulting from any such conversion, sale, merger, consolidation or other transfer to which it is a party, *ipso facto*, shall be and become successor escrow agent hereunder, vested with all other matters as was its predecessor, without the execution or filing of any instrument or any further act on the part of the parties hereto, notwithstanding anything herein to the contrary.

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the City, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the City within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the City, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Washington, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Washington, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the City and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the City shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.4 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the [Escrowed Securities and] money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

Article 9. Miscellaneous

Section 9.1. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the City or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

Section 9.2. Termination of Responsibilities.

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the City, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

Section 9.3. Binding Agreement.

This Agreement shall be binding upon the City and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the City, the Escrow Agent and their respective successors and legal representatives.

Section 9.4. Severability.

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 9.5. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Washington.

Section 9.6. Time of the Essence.

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 9.7. Notice to Moody's.

In the event that this Agreement or any provision thereof is severed, amended or revoked, the City shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007, Attention: Public Finance Rating Desk/Refunded Bonds.

Section 9.8. Amendments.

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies (if any) which have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Refunded Bonds.

EXECUTED as of the date first written above.

**CITY OF GIG HARBOR,
WASHINGTON**

Finance Director

U.S. BANK NATIONAL ASSOCIATION

as Authorized Signer

Exhibit A	—	Addresses of the City and the Escrow Agent
Exhibit B	—	Description of the Refunded Bonds
Exhibit C	—	Schedule of Debt Service on Refunded Bonds
Exhibit D	—	Description of Beginning Cash Deposit and Escrowed Securities
Exhibit E	—	Refunding Account Cash Flow
Appendix A	—	Notice of Redemption
Appendix B	—	Notice of Defeasance

EXHIBIT A
Addresses of the City and Escrow Agent

City: City of Gig Harbor
3510 Grandview Street
Gig Harbor, WA 98335
Attention: Finance Director

Escrow Agent: U.S. Bank National Association
Global Corporate Trust Services PD-WA-T7CT
1420 Fifth Avenue, 7th Floor
Seattle, WA 98101
Attention: Carolyn Morrison, Trust Officer

EXHIBIT B
Description of the Refunded Bonds

City of Gig Harbor, Washington
Limited Tax General Obligation and Refunding Bonds, 2010

Maturity Year (June 1)	Principal Amount	Interest Rate
2022	\$ 485,000	4.50%
2023	505,000	4.50
2024	525,000	4.50
2025	550,000	4.50
2026	580,000	4.50

EXHIBIT C
Schedule of Debt Service on the Refunded Bonds

Date	Interest	Principal/ Redemption Price	Total
Total	\$ \$	\$ \$	\$ \$

EXHIBIT D
Escrow Deposit

I. Cash \$ _____

II. Other Obligations

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Yield</u>	<u>Total Cost</u>
		\$ _____	%	\$ _____
Total		\$ _____		\$ _____

EXHIBIT E
Refunding Account Cash Flow

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Cash Balance
	--	\$	\$	\$
	\$ _____	\$ _____	\$ _____	
	\$	\$	\$	

APPENDIX A

NOTICE OF REDEMPTION*

**City of Gig Harbor, Washington
Limited Tax General Obligation and Refunding Bonds, 2010**

NOTICE IS HEREBY GIVEN that the City of Gig Harbor, Washington has called for redemption on _____, 2021, its outstanding Limited Tax General Obligation and Refunding Bonds, 2010 (the "Bonds").

The Bond will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to _____, 2021. The redemption price of the Bond is payable on presentation and surrender of the Bonds at the office of:

U.S. Bank National Association
Global Corporate Trust Services
111 Fillmore Ave E
St. Paul, MN 55107

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on _____, 2021.

The following Bonds are being redeemed:

<u>Maturity Year (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Nos.</u>
2022	\$ 485,000	4.50%	375172DY6
2033	505,000	4.50	375172DZ3
2024	525,000	4.50	375172EA7
2025	550,000	4.50	375172EB5
2026	580,000	4.50	375172EC3

By Order of the City of Gig Harbor, Washington

U.S. Bank National Association, as Paying Agent

Dated: _____.

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003

* This notice shall be given not more than 60 nor less than 20 days prior to _____, 2021 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed to The Depository Trust Company of New York, New York; D.A. Davidson & Co.; U.S. Bank National Association, as Fiscal Agent; Moody's Investors Service; and to the Municipal Securities Rulemaking Board.

(the “Act”) unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your Bonds.

APPENDIX B

NOTICE OF DEFEASANCE*

**City of Gig Harbor, Washington
Limited Tax General Obligation and Refunding Bonds, 2010**

NOTICE IS HEREBY GIVEN to the owners of that portion of the above-captioned bonds with respect to which, pursuant to an Escrow Agreement dated _____, 2021, by and between City of Gig Harbor, Washington (the "City") and U.S. Bank National Association, Seattle, Washington (the "Escrow Agent"), the City has deposited into an escrow account, held by the Escrow Agent, cash and non-callable direct obligations of the United States of America, the principal of and interest on which, when due, will provide money sufficient to pay each year, to and including the respective maturity or redemption dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to the provisions of Ordinance No. 1190 of the City, authorizing the issuance of the Defeased Bonds, but will be paid by application of the assets of such escrow account.

The Defeased Bonds are described as follows:

Limited Tax General Obligation and Refunding Bonds, 2010
(Dated June 29, 2010)

Maturity Years (June 1)	Principal Amounts	Interest Rates	CUSIP Nos.	Call Date (at 100%)
2022	\$ 485,000	4.50%	375172DY6	___/___/2020
2023	505,000	4.50	375172DZ3	___/___/2020
2024	525,000	4.50	375172EA7	___/___/2020
2025	550,000	4.50	375172EB5	___/___/2020
2026	580,000	4.50	375172EC3	___/___/2020

*Term Bonds

Information for Individual Registered Owner

The addressee of this notice is the registered owner of Bond Certificate No. _____ of the Defeased Bonds described above, which certificate is in the principal amount of \$ _____. All of which has been defeased as described above.

* This notice shall be given not more than 60 nor less than 20 days prior to _____, 2021 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed to The Depository Trust Company of New York, New York; D.A. Davidson & Co.; U.S. Bank National Association, as Fiscal Agent; Moody's Investors Service; and to the Municipal Securities Rulemaking Board.

EXHIBIT B

COSTS OF ISSUANCE AGREEMENT

CITY OF GIG HARBOR, WASHINGTON
LIMITED TAX GENERAL OBLIGATION REFUNDING BOND, 2021

THIS COSTS OF ISSUANCE AGREEMENT, dated as of _____, 2021 (herein, together with any amendments or supplements hereto, called the "Agreement"), is entered into by and between the City of Gig Harbor, Washington, (herein called the "City") and U.S. Bank National Association, Seattle, Washington, as Escrow Agent (herein, together with any successor in such capacity, called the "Escrow Agent").

WITNESSETH:

WHEREAS, pursuant to Ordinance No. _____ passed on _____, 2021 (the "Bond Ordinance"), the City has determined to issue its Limited Tax General Obligation Refunding Bond, 2021 (the "Bond") and

WHEREAS, simultaneously herewith, the City is entering into an Escrow Deposit Agreement, dated _____, 2021 under which the Escrow Agent will hold invested proceeds of the Bond in order to pay and redeem the refunded bonds under the terms set forth therein; and

WHEREAS, certain proceeds of the Bond will be delivered to the Escrow Agent on the date of issuance of the Bond that are required to be disbursed to pay costs of issuance of the Bond; and

WHEREAS, the Escrow Agent has agreed, without additional compensation to disburse the Bond proceeds received to pay costs of issuance under the terms of this Agreement;

Section 1. Deposit in the Costs of Issuance Fund.

The Escrow Agent has created on its books a special trust fund and Refunding Account to be known as the Costs of Issuance Fund. The Escrow Agent agrees that upon receipt it will deposit to the credit of the Costs of Issuance Fund the sum of \$ _____ to pay those costs of issuance set forth on Exhibit A. Such deposit, all proceeds therefrom, and all cash balances on deposit therein shall be the property of the Costs of Issuance Fund to pay those costs of issuance set forth on Exhibit A upon receipt of invoices. If any of the \$ _____ deposit allocated for costs of issuance for the Bond remains unspent on _____, 2021, the Escrow Agent shall transfer such unspent amount to the City, and this Agreement shall be deemed fully performed and terminated.

Section 2. Investments.

The Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder.

Section 3. Limitation on Liability.

The liability of the Escrow Agent to transfer funds for the payment of the costs of issuance identified herein shall be limited to the proceeds of the Bond delivered to the Escrow Agent.

Section 4. Compensation.

The City shall pay to the Escrow Agent fees for performing the services hereunder and under the Escrow Agreement for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement and the Escrow Agreement pursuant to the terms of the Fee Schedule attached as Exhibit B. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against funds held under the Escrow Agreement for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

Section 5. Notice.

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the City or the Escrow Agent at the address shown on Exhibit A to the Escrow Agreement.

Section 6. Washington Law Governs.

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the state of Washington.

EXECUTED as of the date first written above.

CITY OF GIG HARBOR, WASHINGTON

Finance Director

U.S. BANK NATIONAL ASSOCIATION

Authorized Signatory

Exhibit A - Costs of Issuance Schedule
Exhibit B - Fee Schedule

EXHIBIT A

Costs of Issuance

Bond Counsel Fee (K&L Gates LLP).....
Escrow Agent Fee (U.S. Bank).....
Placement Agent Fee (D.A. Davidson).....
[Escrow Verification (_____)].....
Total: \$

EXHIBIT B
FEE SCHEDULE
See Attached

CERTIFICATE

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

1. That the attached ordinance is a true and correct copy of Ordinance No. _____ of the Council (the "Ordinance"), duly passed at a regular meeting thereof held on the 9th day of August, 2021.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of the Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of August, 2021.

City Clerk