

**City of Canby
Clackamas County, Oregon**

Resolution No. 521

Authorizing the issuance of Sewer Revenue Bonds, Series 1992

Adopted November 12, 1992

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RESOLUTION NO. 521

A RESOLUTION OF THE CITY OF CANBY, CLACKAMAS COUNTY, OREGON, AUTHORIZING THE ISSUANCE OF SEWER REVENUE BONDS, SERIES 1992

**THE CITY COUNCIL OF THE CITY OF CANBY, CLACKAMAS COUNTY,
OREGON, RESOLVES AS FOLLOWS:**

Section 1. Findings.

A. This Council submitted to the legal voters of the City of Canby (the "City"), the question of issuing sewer revenue bonds in the sum of \$4,100,000 to finance, in part, improvements, repairs and expansion of the City's sewage treatment plant.

B. The election was duly and legally held on the 24th day of March, 1992, and this Council has canvassed the result thereof and has declared that issuance of bonds in such sum has been approved by a majority of the qualified voters of the City voting at the election.

C. On May 6, 1992, this Council adopted Resolution No. 508 which authorized the borrowing and repayment of a loan with the Department of Environmental Quality of the State of Oregon (the "DEQ") Loan Number R20520, a State Revolving Fund Loan, in the amount of \$127,700 (the "SRF Loan Agreement") pursuant to ORS 468.439.

D. The SRF Loan Agreement, among other things, contained certain definitions, required the funding of a reserve account, established covenants, and prohibited the issuance of parity obligations.

E. DEQ has agreed to amend the SRF Loan Agreement to conform to the definitions, reserves, covenants and other provisions of this Resolution No. 521.

F. The City has sufficient funds to pay the loan from DEQ if an agreement to amend the SRF Loan Agreement is not reached.

Section 2. Definitions.

A. As used in this Resolution, the following words shall have the following meanings:

(1) "Audit" means the audit required by ORS 297.425.

(2) "Auditor" means a person authorized by the State Board of Accountancy to conduct municipal audits pursuant to ORS 297.670.

(3) "Bond Counsel" means a law firm having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

(4) "Bond Purchase Contract" means the contract or agreement between the City and the Bond Purchaser that provides for the purchase of one or more Series of Bonds by the Bond Purchaser and establishes the interest rates, maturity dates, principal amounts for each maturity, redemption provisions, sale price and other terms of the sale of such Bonds to the Bond Purchaser.

(5) "Bond Purchaser" means the purchaser of a Series of Bonds issued pursuant to this Resolution or a Supplemental Resolution.

(6) "Bond Registrar" or "Registrar" means the paying agent and registrar designated by the City.

(7) "Bondowner" or "Owner" means a registered owner of a Bond.

(8) "Bonds" or "Series of Bonds" means the Series 1992 Bonds, the SRF Loan Agreement, and any Parity Obligations issued pursuant to this Resolution.

(9) "Book-Entry-Only System" means a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

(10) "Business Day" means any day which is not a Saturday, Sunday, legal holiday or a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed and which shall not be a day on which the New York Stock Exchange is closed.

(11) "Capital Guaranty" means the Capital Guaranty Insurance Company.

(12) "Certificate of City" or "City Certificate" means a certificate executed on behalf of the City by the City Administrator of the City or his designee.

(13) "City" means the City of Canby, Clackamas County, Oregon.

(14) "City Administrator" means the duly appointed and acting City Administrator of the City or his or her designee or designees.

(15) "City Treasurer" means the duly appointed and acting Treasurer of the City or his or her designee or designees.

(16) "Code" means the Internal Revenue Code of 1986, rules and regulations promulgated thereunder and amendments thereto.

(17) "Construction Account" means that account to be created in the Sewer Construction Reserve Fund to be maintained pursuant to Section 9 of this Resolution.

(18) "Council" means the City Council of the City of Canby, Clackamas County, Oregon.

(19) "Debt Service Fund" means the Enterprise Debt Service Fund heretofore created to hold funds to pay principal, interest and premium, if any, on the Bonds or any other obligations payable from Net Revenues.

(20) "DEQ" means the State of Oregon, acting by and through the Director of the Oregon Department of Environmental Quality, or the Director's authorized representative.

(21) "Default" or "Event of Default" means any event specified in Section 16 of this Resolution.

(22) "Depository" or "DTC" means The Depository Trust Company or any other qualified securities depository designated by the City as its successor.

(23) "Financial Guaranty Bond" means that financial guaranty bond issued by Capital Guaranty Insurance Company with respect to the Series 1992 Bonds.

(24) "Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon Law.

(25) "Government Securities" means (a) direct obligations of the United States of America, and (b) obligations on which the timely payment of principal and interest is fully and unconditionally guaranteed by the United States of America.

(26) "Gross Revenues" means all fees and charges, including system development charges, resulting from operation of the Sewer System, revenues from product sales, credits from the Rate Stabilization Account to the Sewer Operating Fund, if any, and any interest earnings and other revenues placed in the Sewer Operating Fund; however, Gross Revenues does not include: (a) any payments of improvement assessments levied against benefited properties; (b) the proceeds of any grants; (c) the proceeds of any borrowing for capital improvements; (d) the proceeds of any liability or other insurance; (e) the proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the Sewer System; (f) any amounts realized from the sales of assets pursuant to Section 14.A.(7) of this Resolution, and (g) ad valorem taxes received by the City which are, at any time, pledged, designated or dedicated to other debt or obligations of the City.

(27) "Maximum Annual Debt Service" means the greatest Annual Debt Service, calculated on all Bonds which are Outstanding on the date of calculation.

(28) "Net Revenues" means the Gross Revenues less the Operating Expenses.

(29) "Operating Expenses" means all expenses incurred for operation, maintenance and repair of the Project and the Sewer System, including but not limited to administrative expenses, financial and auditing expenses, insurance premiums, claims (to the extent moneys are not available from proceeds of insurance), taxes, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the Sewer System. Operating Expenses do not include any rebates or penalties paid from Gross Revenues under Section 148 of the Code, depreciation and amortization of property, values or losses, and all amounts treated for accounting purposes as payments for capital expenditures.

(30) "ORS" means the Oregon Revised Statutes.

(31) "Outstanding Bonds" means all Bonds authorized and delivered pursuant to this Resolution No. 521, and any Parity Obligations except Bonds theretofore canceled or defeased pursuant to Section 20 of this Resolution.

(32) "Parity Obligations" means any revenue bonds or other obligations of the City which comply with the provisions of Section 12 of this Resolution for the issuance of Parity Obligations.

(33) "Permitted Investments" shall mean any of the following, with an appropriate market value and of an appropriate maturity:

(a) Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof hereinafter designated when such obligations are backed by the full faith and credit of the United States of America. These are limited to:

- U.S. Treasury obligations
All direct or fully guaranteed obligations
- Farmers Home Administration
Certificates of beneficial ownership
- General Services Administration
Participation certificates
- U.S. Maritime Administration
Guaranteed Title XI financing
- Small Business Administration
Guaranteed participation certificates
Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
GNMA-guaranteed mortgage backed securities
GNMA-guaranteed participation certificates
- U.S. Department of Housing and Urban Development
Local authority bonds
- Washington Metropolitan Area Transit Authority
Guaranteed transit bonds.

(b) Obligations of instrumentalities or agencies of the United States of America. These are specifically limited to:

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates
Debt Obligations
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligation
Letter of credit (LOC) backed issues
- Federal National Mortgage Association (FNMA)
Debt obligations

Mortgage backed securities (Excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal).

Book-entry securities listed in (a) and (b) above must be held in a trust account with the Federal Reserve Bank or with a clearing corporation of chain of clearing corporations which has an account with the Federal Reserve Bank.

(c) Federal Housing Administration debentures.

(d) Commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated in the highest rating category by Standard & Poor's Corporation.

(e) Interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, the deposits of which are insured by the Bank Insurance Fund (BIF), or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (SAIF) or any successors thereto. These deposits: (i) must be continuously and fully insured by BIF or SAIF or, (ii) must have maturities of less than 366 days and be deposited with banks and short-term obligations of which are rated A-1+ by Standard & Poor's Corporation.

(f) Money market mutual funds or portfolios investing in short-term U.S. Treasury securities rated AAA by Standard & Poor's Corporation. The City shall provide Capital Guaranty annual certification that the money market portfolio into which funds are invested is then rated AAA by Standard & Poor's and, upon notice that the Standard & Poor's rating of the money market portfolio has dropped below AAA, the City shall immediately withdraw funds and reinvest in Permitted Investments.

(g) Investments in the Local Government Investment Pool provided by ORS 294.805 to 295.895, inclusive.

(h) Such other investments as are approved in writing by Capital Guaranty Insurance Company.

All funds and accounts are to be mark to market valuation conducted on a quarterly basis by the City. The City shall promptly deliver copies of such quarterly valuations to Capital Guaranty.

(34) "Project" means the repair, expansion and improvement of the City's sewage treatment plant which will be financed with the proceeds of the Series 1992 Bonds.

(35) "Rate Stabilization Account" means the Rate Stabilization Account which may be established pursuant to Section 18 of this Resolution.

(36) "Record Date" means the fifteenth (15th) day of the month preceding each interest payment date.

(37) "Registrar" means the Registrar and paying agent as established in Section 6 of this Resolution.

(38) "Required Reserve" means an amount equal to the lesser of the maximum annual debt service due in any Fiscal Year on all Outstanding Bonds or the amount described in the next sentence. If at the time of issuance of a Series of Bonds, the amounts required to be added to the Reserve Account to make the balance in the Reserve Account equal to the maximum annual debt service due in any Fiscal Year on all Outstanding Bonds exceeds the Tax Maximum calculated with respect to such Series of Bonds, then the Required Reserve shall mean the Required Reserve on all Outstanding Bonds for any future Fiscal Year in effect immediately prior to the issuance of that Series of Bonds, plus the Tax Maximum calculated with respect to such Series of Bonds.

(39) "Reserve Account" means the Reserve Account established pursuant to Section 9 of this Resolution.

(40) "Reserve Equivalent" means an insurance policy or letter of credit issued by a municipal bond insurance company or a commercial bank having a credit rating (when the policy or letter of credit is issued) within one of the two highest rating categories as determined by Moody's Investors Services or Standard & Poor's Corporation, or their successors, in which the insurance company or commercial bank agrees to unconditionally provide the City with funds in an amount which, when combined with available bond proceeds or other available funds, that have been previously deposited into the Reserve Account, equals the Required Reserve. The form and provider of any Reserve Equivalent must be approved in writing by Capital Guaranty Insurance Company as long as any of the Bonds are insured by that company.

(41) "Resolution" means Resolution No. 521 adopted November 12, 1992.

(42) "Series" or "Series of Bonds" means all of the Bonds issued, authenticated and delivered pursuant to this Resolution or a Supplemental Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to this Resolution or such Supplemental Resolution regardless of variations in maturity, interest rate or other provisions.

(43) "Series 1992 Bonds" means the City's Sewer Revenue Bonds, Series 1992, issued pursuant to Resolution No. 521.

(44) "Sewer Construction Reserve Fund" means that fund heretofore created to which all system development charges are deposited.

(45) "Sewer Operating Fund" means the Sewer Operating Fund of the City, heretofore created, to be maintained pursuant to Section 9 of this Resolution.

(46) "Sewer System" or "System" means all real and personal property now or hereafter owned, operated, used, or maintained by the City for sewage disposal or sewage purification within or without the corporate limits of the City, including but not limited to, intercepting sewers, diversion sewers, relieving or interconnection sewers, lift stations and equipment enhancements to stream flow augmentation, and plants for treatment, processing and disposal of sewage.

(47) "SRF Loan Agreement" means that State Revolving Fund Agreement No. R20520 executed by the City and the State of Oregon, Department of Environmental Quality, dated March 16, 1992, evidencing the loan of \$127,700 from the DEQ to the City.

(48) "Subordinate Obligations" means any obligations of the City payable from Net Operating Revenues which comply with the provisions of Section 13 of this Resolution.

(49) "Supplemental Resolution" shall mean any resolution supplemental to or amendatory of this Resolution, entered into by the City in accordance with this Resolution.

(50) "Tax Maximum" means, for any Series of Bonds, the lesser of: the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on such Series; 125% of average amount of principal, interest and premium, if any, required to be paid on such Series during all Fiscal Years in which such Series will be Outstanding, calculated as of the date of issuance of such Series; or, ten percent of the proceeds of such Series, as "proceeds" is defined for purposes of Section 148(d) of the Code.

(51) "Term Bonds" means the Bonds payable at or before their specified maturity date or dates from mandatory sinking fund payments established for that purpose and calculated to retire such bonds on or before their specified maturity date or dates.

Section 3. The Series 1992 Bonds.

A. Pursuant to the authority of ORS 288.805 to 288.945, and an election held by the City on March 24, 1992, the Council hereby authorizes and directs the issuance of the City of

Canby, Clackamas County, Oregon Sewer Revenue Bonds, Series 1992, in the aggregate principal amount of not to exceed Four Million One Hundred Thousand Dollars (\$4,100,000) (the "Series 1992 Bonds"). The Series 1992 Bonds shall be dated November 1, 1992, shall be in registered form, shall be in denominations of \$5,000 or any integral multiple thereof, shall bear interest payable semiannually on the first days of June and December in each year until maturity or prior redemption, and shall be sold pursuant to the terms of the Bond Purchase Contract.

B. Principal and interest on the Series 1992 Bonds shall be payable through the principal corporate trust office of the Bond Registrar. The Series 1992 Bonds shall be special obligations of the City, and shall be payable solely from the Net Revenues, as provided by this Resolution.

Section 4. Book-Entry Only System.

A. The 1992 Bonds shall be initially issued as a book-entry only security issue with no 1992 Bonds being made available to the Bondowners upon the execution and delivery of the Letter of Representations among the Bond Registrar, The Depository Trust Company and the City, attached hereto as Exhibit A. Ownership of the 1992 Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on The Depository Trust Company book-entry-only system. The 1992 Bonds shall be initially issued in the form of separate single fully registered typewritten Bonds for each maturity of the 1992 Bonds (the "Global Bonds") in substantially the form attached hereto as Exhibit B with such changes as are required to conform with the Bond Purchase Contract. Each Global Bond shall be registered in the name of CEDE & CO. as nominee (the "Nominee") of The Depository Trust Company ("DTC") (DTC and any other qualified securities depository designated by the City as a successor to DTC, collectively the "Depository") as the "Registered Owner", and such Global Bonds shall be lodged with the Depository until early redemption or maturity of the Bond issue. The Bond Registrar shall remit payment for the maturing principal and interest on the 1992 Bonds to the Bondowner for distribution by the Nominee for the benefit of the owners (the "Beneficial Owner" or "Record Owner") by recorded entry on the books of the Depository participants and correspondents. While the 1992 Bonds are in book-entry-only form, the 1992 Bonds will be available in denominations of \$5,000 or any integral multiple thereof.

B. In the event the Depository determines not to continue to act as securities depository for the 1992 Bonds, or the City determines that the Depository shall no longer so act, then the City will discontinue the book-entry-only system with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a book-entry-only system, the 1992 Bonds shall no longer be a book-entry-only issue but shall be registered in the registration books maintained by the Bond Registrar in the name of the Bondowner as appearing on the Bond register and thereafter in the name or names of the Bondowners of the 1992 Bonds transferring or exchanging 1992 Bonds.

C. With respect to 1992 Bonds registered in the registration books maintained by the Bond Registrar in the name of the Nominee of the Depository, the City and the Bond Registrar shall have no responsibility or obligation to any participant or correspondent of the

Depository or to any Registered Owner on behalf of which such participants or correspondents act as agent for the Bondowner with respect to:

(1) the accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the 1992 Bonds;

(2) the delivery to any participant or correspondent or any other person, other than a Bondowner as shown in the registration books maintained by the Bond Registrar, of any notice with respect to the 1992 Bonds, including any notice of prepayment;

(3) the selection by the Depository of the beneficial interest in 1992 Bonds to be redeemed prior to maturity; or

(4) the payment to any participant, correspondent, or any other person other than the Bondowner of the 1992 Bonds as shown in the registration books maintained by the Bond Registrar, of any amount with respect to principal of or interest on the 1992 Bonds.

D. Notwithstanding the book-entry-only system, the City may treat and consider the Beneficial Owner in whose name each Bond is registered in the registration books maintained by the Bond Registrar as the Bondowner and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, or for the purpose of giving notices of redemption and other matters with respect to such Bond, or for the purpose of registering transfers with respect to such Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal and interest on the 1992 Bonds only to or upon the order of the Registered Owner, as shown in the registration books maintained by the Bond Registrar, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

E. Upon delivery by the Depository to the City and to the Bondowner of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Master Resolution shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Bond Registrar. The Depository shall tender the 1992 Bonds it holds to the Bond Registrar for reregistration.

Section 5. Redemption of Series 1992 Bonds.

A. Optional. The City reserves the right to redeem all or any portion of the Series 1992 Bonds by lot within a maturity on the dates and upon the conditions stated in the Bond Purchase Contract.

B. Mandatory. Term Bonds, if any, shall be subject to mandatory partial redemption prior to maturity, by lot, as determined by the Registrar, beginning in the years and in the amounts set forth in the Bond Purchase Contract.

C. Unless waived by any holder of Series 1992 Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Series 1992 Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such registered owner to the Registrar. Notice shall also be published in one issue of a business and financial newspaper published in Portland, Oregon, at least 30 days prior to the date fixed for redemption. Failure to give such notice, or a defect therein, shall not affect the validity of the redemption.

D. In the case where the Depository Trust Company ("DTC") is acting as securities depository for the Bonds and less than all Bonds of a maturity are to be redeemed, the Registrar shall notify DTC not more than 45 days prior to the date fixed for redemption of the maturity to be redeemed in the manner required in the City's Letter of Representations to DTC.

E. Except as provided in Section 5.D hereof, all official notices of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all outstanding Series 1992 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 1992 Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such Series 1992 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) the place where such Series 1992 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

F. The City shall deposit with the Registrar, on or before the date that notice is given pursuant to Sections 5.C. and 5.D. of this Resolution, an amount of money sufficient to pay the redemption price of all the Bonds or portions of Series 1992 Bonds which are to be redeemed on that date.

G. Official notice of redemption having been given as aforesaid, the Series 1992 Bonds or portions of Series 1992 Bonds so to be redeemed shall, on the redemption date, become

due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Series 1992 Bonds or portions of Series 1992 Bonds shall cease to bear interest. Upon surrender of such Series 1992 Bonds for redemption in accordance with said notice, such Series 1992 Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Series 1992 Bond, there shall be prepared for the registered owner a new Series 1992 Bond or Bonds of the same maturity in the amount of the unpaid principal. All Series 1992 Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

H. The provisions of this paragraph apply only if the Bonds cease to be a book-entry only issue. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Series 1992 Bonds being redeemed; (ii) the date of issue of the Series 1992 Bonds as originally issued; (iii) the rate of interest borne by each bond being redeemed; (iv) the maturity date of each bond being redeemed; and (v) any other descriptive information needed to identify accurately the Series 1992 Bonds being redeemed.

(2) Each such further notice shall be published one time in The Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the Series 1992 Bondowners, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Series 1992 Bonds, such publication to be made at least 30 days prior to the date fixed for redemption.

(3) Upon the payment of the redemption price of Series 1992 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Series 1992 Bonds being redeemed with the proceeds of such check or other transfer.

I. Parity or Subordinate Obligations shall be subject to redemption as provided in the resolutions authorizing issuance of those obligations.

Section 6. Authentication, Registration and Transfer. (No Book-Entry).

A. No Bond shall be entitled to any right or benefit under this Resolution unless it shall have been authenticated by an authorized officer of the Registrar. The Registrar shall authenticate all Bonds to be delivered at closing, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Resolution.

B. All Bonds shall be in registered form. The City hereby designates First Interstate Bank of Oregon, N.A. to serve as Registrar for the Bonds. A successor Registrar may be appointed for the Bonds by ordinance or resolution of the City. The Registrar shall provide notice to Bondowners of any change in the Registrar not later than the Bond payment date following the change in Registrar.

(1) The Registrar may be removed at any time, at the request of Capital Guaranty, for any breach of the trust set forth herein.

(2) The original and every successor Registrar shall:

(a) be a trust company or bank in good standing located in or incorporated under the laws of the State of Oregon,

(b) be duly authorized to exercise trust powers,

(c) be subject to examination by a federal or state authority and

(d) maintain a reported capital and surplus of not less than seventy-five million dollars (\$75,000,000).

C. The ownership of all Bonds shall be entered in the Bond register maintained by the Registrar and the City and Registrar may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.

D. The Registrar shall mail each interest payment on the interest payment date (or the next business day if the payment date is not a Business Day) to the name and address of the Bondowner, as that name and address appear on the Bond register as of the Record Date. If payment is so mailed, neither the City nor the Registrar shall have any further liability to any party for such payment.

E. Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different authorized denominations, and Bonds may be transferred to other owners if the Bondowner submits the following to the Registrar:

(1) written instructions for exchange or transfer satisfactory to the Registrar, signed by the Bondowner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Registrar; and

(2) the Bonds to be exchanged or transferred.

F. The Registrar shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following

interest payment date; however, such Bonds shall be exchanged or transferred promptly following the interest payment date.

G. The Registrar shall not be required to exchange or transfer any Bonds which have been designated for redemption if such Bonds are submitted to it during the fifteen-day period preceding the designated redemption date.

H. For purposes of this section, Bonds shall be considered submitted to the Registrar on the date the Registrar actually receives the materials described in subsection E. of this section.

I. The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Bondowners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 7. Registered Bond Payment/Financial Guaranty.

A. As long as the Financial Guaranty Bond shall be in full force and effect to guaranty the Bonds, the City agrees to comply with the following provisions:

(1) The gross amount to be deposited to the Debt Service Fund by the City required to pay in full:

(a) the interest on the Bonds on each stated interest date and,

(b) the principal of the Bonds on each stated maturity date thereof and on each date on which such principal shall have been duly called for mandatory sinking fund redemption (if any) (in either event the "Payment Date") shall be deposited by the City at least five (5) business days prior to each such stated Payment Date.

(2) If the City determines that after having exhausted the amounts, if any, available in the Debt Service Reserve Account, there will be insufficient moneys in the funds and accounts available to pay in full the principal of and/or interest on the Bonds on such Payment Date, the City shall so notify the Registrar not later than the close of the fifth Business Day prior to a Payment Date and the Registrar shall immediately notify Capital Guaranty via telephonic notice to Capital Guaranty's Claims Officer at (415) 995-8000, confirmed by telecopy at (415) 995-8008 of a completed "Notice of Nonpayment" in the form attached as Exhibit A to the Financial Guaranty Bond.

(3) Simultaneously with the giving of notice to Capital Guaranty as provided in the preceding paragraph, the Registrar shall make available to Capital Guaranty, its agents or assigns the bond registration books of the City maintained by the

Registrar, and the City shall provide all records relating to the funds and accounts established under the Resolution.

(4) By the close of business on the third Business Day prior to a Payment Date for which there will be a deficiency as aforesaid, the Registrar shall provide Capital Guaranty with a list of Bondowners entitled to receive principal or interest payments from Capital Guaranty under the terms of the Financial Guaranty Bond and the full or partial amounts of interest and principal due each such registered owner.

(5) By the close of business on the second Business Day prior to a Payment Date for which there will be a deficiency as aforesaid, Capital Guaranty shall make arrangements with its Disbursing Agent (as such term is defined in the Financial Guaranty Bond) to disburse to the Registrar on such Payment Date funds to be held by the Registrar in a segregated trust account (the "Segregated Account") in an amount sufficient to enable the Registrar:

(a) to mail checks or drafts on such Payment Date to the registered Bondowners entitled to receive full or partial interest payments pursuant to the terms of the Financial Guaranty Bonds, and

(b) to pay principal upon Bonds surrendered to the Registrar by the registered Bondowners entitled, pursuant to the terms of the Financial Guaranty Bond, to receive full or partial principal payments from Capital Guaranty.

The Registrar shall administer the Segregated Account (including, but not limited to the investment thereof and the return of excess amounts, if any) in accordance with the written instructions of an authorized officer of Capital Guaranty.

(6) The Registrar, at the time it provided Notice of Nonpayment to Capital Guaranty, shall notify the registered Bondowners entitled to receive principal and/or interest payments from Capital Guaranty:

(a) as to the fact of such entitlement,

(b) that Capital Guaranty's Disbursing Agent may or will remit to the Registrar all or a portion of the interest payments coming due on the next scheduled Payment Date,

(c) that if entitled to receive full or partial payment of principal pursuant to the terms of the Financial Guaranty Bond, such registered Bondowners must tender the Bonds for payment thereof to the Registrar along with a valid and duly executed transfer of title in a form reasonably satisfactory to Capital Guaranty.

Upon the tendering of such Bonds to the Registrar, the Registrar shall pay the Bondowners thereof the unpaid portion of the principal then due pursuant to the Financial Guaranty Bond.

(7) Capital Guaranty, if it causes its Disbursing Agent to make payment of all or a portion of the principal of or interest on the Bonds pursuant to the Financial Guaranty Bond, shall become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Bond, and to evidence such subrogation:

(a) in the case of subrogation as to payments under the Financial Guaranty Bond representing interest, the Registrar shall note Capital Guaranty's rights as subrogee and the amount of such interest so paid by Capital Guaranty on the registration books of the City maintained by the Registrar, and

(b) in the case of subrogation as to payments under the Financial Guaranty Bond representing principal, the Registrar shall note Capital Guaranty's rights as subrogee and the amount of such principal so paid by Capital Guaranty on the registration books of the City maintained by the Registrar upon surrender of the Bonds by the registered Bondowners.

Section 8. Disposition of Bond Proceeds and Deposit to the Construction Account.

A. Interest accrued from the date of the Series 1992 Bonds until the date of closing shall be placed in the Debt Service Fund heretofore created, and shall be used to pay interest on the Series 1992 Bonds. An amount shall be deposited in the Reserve Account sufficient to fund the Reserve Account equal to the Required Reserve unless other provisions have been made to fund the Reserve Account pursuant to Section 8 of this Resolution, in which event, all proceeds shall be placed in the Construction Account, heretofore created. The balance of the Series 1992 Bond proceeds shall be placed in the Construction Account, and shall be disbursed only to finance authorized improvements to the Sewer System and costs incurred in connection with the issuance of the Series 1992 Bonds.

B. Moneys in the Construction Account may be invested in Permitted Investments. Earnings from investment of the funds in the Construction Account shall be maintained in the Construction Account, and shall be treated and disbursed as Bond proceeds. Construction Account balances attributable to Bond proceeds which are not needed for construction may be transferred to the Debt Service Fund.

Section 9. Funds and Accounts.

A. The Enterprise Debt Service Fund (the "Debt Service Fund") was heretofore created. The City shall deposit into the Debt Service Fund, from the Sewer Operating Fund, the Sewer Construction Reserve Fund or the Reserve Account, money sufficient to make payments of

Bond principal and interest in accordance with this Section 9.A. and with Section 10 of this Resolution.

(1) The City hereby covenants with the owners of the Bonds that it will, so long as any Bonds remain outstanding and subject to the requirements of Section 7.A(1) hereof, make the following deposits from the Net Revenues into the Debt Service Fund:

(a) Commencing on January 1, 1993, and the first day of each month thereafter, the City will deposit into the Debt Service Fund an amount equal to one-sixth (1/6th) of the amount necessary to pay Bond interest which will become due during the six months following the deposit. Prepayment of monthly deposits will fulfill this requirement. Notwithstanding the foregoing, the City shall deposit into the Debt Service Fund from the Net Revenues an amount sufficient to permit all interest due on the Bonds to be paid on the date it is due.

(b) Commencing on January 1, 1994, and on the first day of each month thereafter, the City will deposit into the Debt Service Fund an amount equal to one-twelfth (1/12th) of the amount necessary to pay any Bond principal which will become due during the twelve months following the deposit. Prepayment of monthly deposits will fulfill this requirement. Notwithstanding the foregoing, the City will deposit into the Debt Service Fund from the Net Revenues an amount sufficient to permit all principal due on the Bonds to be paid on the date it is due.

(c) The City shall immediately deposit into the Reserve Account all moneys available to equal any deficiency in the Required Reserve but, in any event, the Required Reserve shall be fully funded within one year of the date of any deficiency.

B. The Reserve Account is hereby created within the Debt Service Fund.

(1) The City shall maintain a balance in the Reserve Account at least equal to the Required Reserve. Moneys required to be maintained in the Reserve Account will be used only to pay Bond principal and interest and redemption charges, if any, and only in the event that the Net Revenues and moneys in the Debt Service Fund are insufficient to pay Bond principal and interest when due.

(2) The City covenants with the owners of the Bonds that it will, maintain so long as any Bonds remain outstanding, an amount in the Reserve Account at least equal the Required Reserve, except as otherwise provided in Section 9.A.(1)(c) hereof. In the event the amount on deposit in the Reserve Account is more than the Required Reserve, any such excess may be transferred, to the Construction Account, or, after completion of the Project, to the Debt Service Fund.

(3) The balance in the Reserve Account shall include, in addition to cash deposits and bond proceeds, the face amount of any Reserve Equivalents.

(4) Moneys in the Reserve Account may be invested only in Permitted Investments. At least one-half of the Reserve Account, if any, shall be invested in Permitted Investments with maturities of less than six months; the remainder shall be invested in Permitted Investments with maturities of not more than five years, unless otherwise approved in writing by Capital Guaranty.

C. The Rate Stabilization Account may be created within the Sewer Operating Fund as provided in Section 18 of this Resolution. Moneys in the Rate Stabilization Account shall be used solely to make appropriations to the Sewer Operating Fund as determined from time to time by the City; provided, however, no amount on deposit in the Rate Stabilization Account shall, at any time, exceed the maximum annual debt service due in any Fiscal Year on the Outstanding Bonds.

Section 10. Deposit, Pledge and Use of Revenues.

A. All Gross Revenues shall be deposited to or maintained in the Sewer Operating Fund, heretofore created. The City hereby pledges the Net Revenues to the payment of principal and interest on all Bonds. As long as any Bonds remain issued and outstanding, moneys in the Sewer Operating Fund shall be used solely to pay the following amounts in the following order:

- (1) To pay Operating Expenses (other than payments to the Rate Stabilization Account, if any),
- (2) To credit the Debt Service Fund to pay Bond principal and interest,
- (3) To credit the Reserve Account to eliminate any deficiency in the Required Reserve.
- (4) To pay rebates or penalties to the federal government pursuant to Section 148(f) of the Code or credit a rebate account with respect to the Bonds.
- (5) To credit the Rate Stabilization Account, if any, and
- (6) To pay any other expenses relating to the Sewer System.

Section 11. Rate Covenant.

A. The City covenants that it will charge rates and fees in connection with the operation of the Sewer System which, when combined with other Gross Revenues, but exclusive of system development charges and connection fee income, are adequate to generate Net Revenues in each Fiscal Year at least equal to 1.25 times the principal and interest due in that Fiscal Year on the Bonds. If the Net Revenues (calculated in the manner described in the preceding sentence) fail to meet this level, the City will promptly increase its rates and fees to a level so that Net Revenues are projected to meet the required level. The City will demonstrate its

compliance with the provisions of this Section 11 by providing a report, certified by the City's Auditor, and prepared at the time of the delivery of the City's year-end audit. This report will demonstrate the City's compliance with this covenant, or the methods by which the City intends to achieve compliance with this covenant, and shall be filed with the City Treasurer.

B. The City shall annually, within six months after the close of each Fiscal Year, file with the City Treasurer and Capital Guaranty a City Certificate showing for the preceding Fiscal Year (i) Net Revenues (calculated in the manner described in the first sentence of Section 11.A. of this Resolution) and (ii) the debt service requirements for such Fiscal Year. If the statement filed shows that such Net Revenues are less than one hundred twenty-five percent (125%) of such debt service requirements, then the City shall simultaneously file with the City Treasurer a Certificate of the City stating in effect that changes in operating procedures or revisions in rates can and will be made which, in the opinion of such signatory, would have resulted in greater Net Revenues sufficient to provide that such Net Revenues would have been at least equal to one hundred twenty-five percent (125%) of such debt service requirements, together with a copy of a resolution, adopted by the Council and certified of the City, authorizing and directing that such changes or revisions be effectuated as promptly as possible, but in no event in greater than ninety (90) days.

Section 12. Parity Obligations.

A. The City may issue Parity Obligations to provide funds for any purpose relating to the Sewer System which is authorized by law, but only upon the following conditions:

- (1) No Default has occurred and is continuing;
- (2) At the time of the issuance of the Parity Obligations there is no deficiency in the Debt Service Fund and the Reserve Account;
- (3) The Resolution authorizing the issuance of the Parity Obligations requires that a deposit be made at closing sufficient to bring the balance in the Reserve Account equal to the Required Reserve for all Outstanding Bonds, including the proposed Parity Obligations.
- (4) The Resolution authorizing the issuance of the Parity Obligations contains a covenant requiring the City to charge rates and fees projected to generate Net Revenues (calculated in the manner described in the first sentence of Section 11.A. of this Resolution) equal to the amount described in Section 11 of this Resolution, including the proposed Parity Obligations.
- (5) Either (i) the Net Revenues (calculated in the manner described in the first sentence of Section 11.A. of this Resolution) for any 12 consecutive months during the 18 months preceding the date of issuance of the Parity Obligations were not less than 1.25 times the sum of the actual debt service of the Outstanding Bonds for the immediately preceding 12 months, plus the maximum annual debt service for the proposed

Parity Obligations as certified by a qualified engineering, auditing, or other qualified firm; or (ii) the Net Revenues (calculated in the manner described in the first sentence of Section 11.A. of this Resolution), as projected for the next ensuing three fiscal years and as certified by a qualified engineering, auditing, or other qualified firm (including any rate increases adopted and implemented by the Council) are not less than 1.25 times the actual debt service for the ensuing three fiscal year's debt service on all Outstanding Bonds plus the maximum annual debt service on the proposed Parity Obligations.

B. The City may issue Parity Obligations to refund Outstanding Bonds, notwithstanding the requirements of Section 12.A., if the required debt service of the refunding bonds does not exceed the debt service for the refunded bonds payable in any Fiscal Year.

The requirements of Section 12.A. shall apply if the debt service on the refunding bonds exceeds the debt service on the refunded bonds payable in any Fiscal Year.

C. All Bonds issued in accordance with this Section shall have a lien on the Net Revenues which is equal to the lien of the 1992 Bonds and all Parity Obligations issued in accordance with this Section.

Section 13. Subordinate Obligations.

The City may issue Subordinate Obligations to provide funds for any purpose authorized by law, provided no default has occurred and is continuing. All Subordinate Obligations shall have a lien on the Net Revenues which is subordinate to the lien of the Outstanding Bonds. In the event of any insolvency or bankruptcy proceedings relative to the City or to its property, the holders of the Outstanding Bonds shall be entitled to receive payment in full of all principal, premium (if any) and interest thereon (including interest accruing after the commencement of any proceeding) before the holders of the Subordinated Obligations are entitled to receive any payment on account of principal, premium (if any) or principal upon the Subordinated Obligations.

Section 14. General Covenants.

A. The City hereby covenants and agrees with the owners of all Outstanding Bonds as follows:

(1) That it will, to the extent the Net Revenues are sufficient, promptly cause the principal and interest on the Bonds to be paid as they become due.

(2) That it will maintain complete books and records relating to the operation of the Sewer System, and all City funds and accounts in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year, and an audit report prepared by the Auditor and made available for the inspection of Bondowners.

(3) That it will not issue Bonds or other obligations having a claim superior to the claim of the Bonds upon the Net Revenues.

(4) That it will promptly deposit into all funds and accounts all sums required to be so deposited.

(5) That it will operate the Sewer System in a sound, efficient and economic manner.

(6) The City will at all times maintain with responsible insurers all such insurance on the Project as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Project is damaged or destroyed, such part will be restored to use. The money collected from insurance against accident to or destruction of the physical Project will be used for repairing or rebuilding the damaged or destroyed Project, and to the extent not so applied, will be applied to the payment or redemption of the Bonds by lot, and for such purpose paid into the Debt Service Fund.

Any such insurance must be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or in the form of self-insurance by the City. The City shall establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.

(7) The City may not sell or exchange or otherwise dispose of any property constituting a part of the Sewer System unless such property is either worn out or obsolete or, in the opinion of the City and as certified and notice given by the City Administrator to Trustee for any item whose purchase or book value exceeds \$250,000, is no longer useful in the operation of the Sewer System. Any proceeds of such sale, exchange or other disposition not used to replace the property so sold or exchanged shall be deposited in the General Fund or Capital Replacement Fund.

Section 15. Maintenance of Tax-Exempt Status.

A. The City covenants for the benefit of the owners of the Bonds to comply with all provisions of the Code which are required for Bond interest to be excluded from gross income for federal taxation purposes (except for taxes on corporations), unless the City obtains an opinion of nationally recognized bond counsel that such compliance is not required in order for the interest paid on the Bonds to be so excluded. The City makes the following specific covenants with respect to the Code:

(1) The City will not take any action or omit any action if it would cause the Bonds to become "arbitrage bonds" under Section 148 of the Code.

(2) The City shall operate the facilities financed with the Bonds so that the Bonds are not "private activity bonds" within the meaning of Section 141 of the Code.

(3) The City shall comply with appropriate reporting requirements.

(4) The City shall pay, when due, all rebates or penalties on the gross proceeds of the Bonds which are required under Section 148(f) of the Code.

The covenants contained in this section and any covenants in the closing documents for the Bonds shall constitute contracts with the owners of the Bonds, and shall be enforceable by them.

Section 16. Default.

A. The following events shall constitute Default:

(1) Failure to pay Bond principal or interest when due; or

(2) Failure to perform any other obligation of the City imposed by this Resolution or the Bonds, but only if:

(a) the failure continues for a period of more than ninety (90) days after demand has been made on the City to remedy the failure; and

(b) the City fails to take reasonable steps to remedy the failure within that ninety-day period; or

(3) Imposition of a receivership upon, or liquidation of, the General Fund;
or,

(4) Written admission by the City that the City is unable to pay its debts as they become due.

Section 17. Remedies upon Default.

A. Whenever any Event of Default exists, Capital Guaranty may take one or more of the following steps. In the event that Capital Guaranty is in default with respect to its obligations pursuant to the Financial Guaranty Bond, Bondowners representing 51 percent or more of Outstanding Bonds, may, without any further demand or notice, take one or more of the following steps:

(1) Declare all the Bonds immediately due and payable, together with interest accrued thereon to the date of payment;

(2) Exercise any other remedy available at law or in equity, except that the Property shall not be subject to foreclosure or attachment; and

(3) May appoint a commercial bank with a reported capital and surplus in excess of \$75 million as trustee to represent the interest of said Bondowners.

C. Whenever the term Bondowner or a term of like meaning appears herein, Capital Guaranty shall be deemed to be a owner of a sufficient percentage of the outstanding Bonds:

(1) to initiate any action or effect any demand which Bondowners may initiate or effect, and,

(2) to approve or disapprove any action, forbearance or amendment which is subject to Bondowner approval or initiation.

D. No remedy herein conferred upon or reserved to Bondowners is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Bondowners to exercise any remedy reserved to it in this Section it shall not be necessary to give any notice, other than such notice as may be required in this Section.

E. Notwithstanding any other provision of this Resolution, in the event that the principal and redemption price, if applicable, and interest due on the Series 1992 Bonds , shall be paid by Capital Guaranty pursuant to the Financial Guaranty Bond, the assignment and pledge of the Net Revenues and all covenants, agreements and other obligations of the City to the Bondowners shall continue to exist and Capital Guaranty shall be subrogated to the rights of such Bondowners.

Section 18. Amendment of Resolution.

A. Except as provided in subsection D. of this Section 18, This Resolution may be amended without the consent of any Bondowners for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City in this Resolution any other covenants and agreements thereafter to be observed by the City, with reference to Capital Guarantee and Permitted Investments, or to surrender any right or power herein reserved to or conferred upon the City which in the opinion of a nationally recognized bond counsel, filed with the Council, does not adversely affect the interests of the Bondowners.

(2) To cure any ambiguity or formal defect contained in this Resolution, if that cure does not, in the opinion of a nationally recognized bond counsel, filed with the Council, adversely affect the interests of the Bondowners.

(3) To issue Parity Obligations in accordance with Section 12 hereof.

(4) To create a Rate Stabilization Account as heretofore referenced if (a) the City certifies to the City Treasurer that the City met the requirements of Section 11.A for the preceding three Fiscal Years and (b) the City Sewer System will generate Net Revenues (calculated in the manner described in the first sentence of Section 11.A. of this Resolution) in each Fiscal Year at least equal to 1.10 times Bond principal and interest due in that Fiscal Year exclusive of any credits for the Rate Stabilization Account.

B. Except as provided in subsection D. of this Section 18, this Resolution may be amended for any other purpose only upon consent of Bondowners of not less than 51% in aggregate principal amount of the Bonds outstanding; provided, however, that no amendment shall be valid without the consent of Bondowners of 100 percent of the aggregate principal amount of the Bonds outstanding which:

(1) Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Bondowner; or

(2) Reduces the percent of Bondowners required to approve amendatory resolutions.

D. The prior written consent of Capital Guaranty is required for amendments proposed under subsection A. (1), (2) and (4) and subsection B. of this Section 18 as long as the Financial Guaranty Bond is in full force and effect.

Section 19. Notice to Capital Guaranty.

A. Capital Guaranty shall be deemed to be a Bondowner of the Bonds guaranteed by Capital Guaranty for all purposes.

B. At the time that notice is required to be given to any party in the transaction, like notice shall be given to Capital Guaranty. In addition, the City shall immediately notify Capital Guaranty:

(1) not less than ten (10) business days in advance of the execution of any supplement, amendment or change to this Resolution, with a copy of such notice to Bond Insurance Department, Standard & Poor's Corporation at 25 Broadway, New York, New York, 10004,

(2) upon any draw upon the Debt Service Reserve Account, if any,

(3) upon any deficiency in any fund or account

- (4) upon a direction for the City to redeem all or any portion of the Bonds,
- (5) upon the resignation or petition for removal of the Registrar or the appointment of a successor Registrar, and
- (6) upon any event of default or upon any event that with notice and/or with the lapse of time could become an event of default under this resolution.

Section 20. Defeasance.

A. In the event that the Bonds guaranteed by Capital Guaranty are to be defeased, Capital Guaranty shall be notified and provided with draft copies of the proposed Escrow Agreement, CPA Certification, Preliminary Official Statement of the refunding issue (if applicable) and Bond Counsel opinion. These materials shall be delivered to Capital Guaranty no later than five (5) business days prior to the scheduled defeasance.

B. Defeasance shall be accomplished only with an irrevocable deposit in escrow of certain investments referred to in this Section. Further substitutions of securities in the Escrow are not permitted. The deposit in the Escrow must be sufficient, without reinvestment, to pay all principal and interest as scheduled on the Obligations to and including the date of redemption.

C. A copy of the Escrow Agreement and Certified Public Accountant's certificate stating that the Escrow is sufficient to meet the standards of this Section, together with the final Official Statement for the refunding issue (if applicable), Bond Counsel opinion, Escrow Agent's receipt and Escrow Agent's certification as to the application of funds shall be furnished to Capital Guaranty no later than ten (10) business days subsequent to the defeasance.

D. The investments for a defeasance must consist solely of one or more of the following:

- (1) cash;
- (2) State and Local Government Series issued by the United States Treasury ("SLGS");
- (3) United States Treasury bills, notes and bonds, as traded on the open market; and
- (4) Zero Coupon United States Treasury Bonds.

Section 21. Bank Qualified.

The City (and all subordinate entities, if any) reasonably anticipates that it will not issue more than \$10,000,000 of tax-exempt obligations during calendar year 1992. The District

hereby designates the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Section 22. Sale of Bonds.

The City Administrator is hereby authorized to execute a Bond Purchase Contract for the sale of the 1992 Bonds with Seattle-Northwest Securities Corporation presented to the Council this date.

Section 23. Additional Actions.

A. The preparation and distribution of the Preliminary Official Statement and the Official Statement to be used in connection with the sale of the Series 1992 Bonds, and the inclusion therein of the sections describing the activities and finances of the City, are authorized, approved and confirmed. The City Administrator is authorized, empowered and directed to execute the Official Statement for and on behalf of the City for distribution to the public.

B. The City Administrator of the City is authorized and empowered to obtain a policy of insurance, a letter of credit, or any other form of enhancement of credit under the Bonds, to provide further assurance to Bondowners of the payment of the principal and interest on the Bonds, and the payment of the sum or charge (if any) for the investment from the proceeds of the Bonds is authorized and approved.

C. The City Administrator is authorized to execute and deliver on behalf of the City any and all additional certificates, documents or other papers and other acts (including, without limitation, the filing of any documents) as they may deem necessary or appropriate in order to implement the intent and purpose of this Resolution.

D. The City Administrator is authorized to negotiate and execute amendments to the SRF Loan Agreement in accordance with this Resolution. If a satisfactory agreement to amend cannot be negotiated, the City Administrator is authorized to prepay the SRF Loan Agreement from available funds of the City.

DATED this 12th day of November 1992

City of Canby
Clackamas County, Oregon
By its City Council


Mayor

Attest:

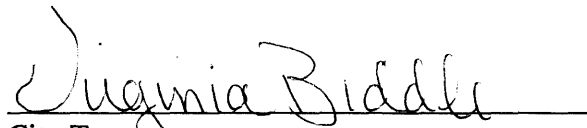

City Treasurer

Exhibit A

BOOK-ENTRY-ONLY MUNICIPAL BONDS

Letter of Representations

(To be Completed by Issuer and Agent)

City of Canby, Oregon

(Name of Issuer)

First Interstate Bank of Oregon, N.A.

(Name of Agent)

November 1, 1992

(Date)

Attention: General Counsel's Office
The Depository Trust Company
55 Water Street, 49th Floor
New York, NY 10041-0099

Re: \$4,100,000 City of Canby, Clackamas County, Oregon, Sewer Revenue Bonds,

Series 1992

(Issue Description)

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the above-referenced issue (the "Bonds"). Agent will act as trustee, paying agent, fiscal agent, or other agent of Issuer with respect to the Bonds. The Bonds will be issued pursuant to a trust indenture, bond resolution, or other such document authorizing the issuance of the Bonds dated November 4, 1992 (the "Document"). Seattle-Northwest Securities Corporation ("Underwriter") is distributing the Bonds through The Depository Trust Company ("DTC").

To induce DTC to accept the Bonds as eligible for deposit at DTC, and to act in accordance with its Rules with respect to the Bonds, Issuer and Agent, if any, make the following representations to DTC:

1. Prior to closing on the Bonds on _____, 199____, there shall be deposited with DTC one Bond certificate registered in the name of DTC's nominee, Cede & Co., for each stated maturity of the Bonds in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Bonds. If, however, the aggregate principal amount of any maturity exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount. Each \$150 million Bond certificate shall bear the following legend:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

2. In the event of any solicitation of consents from or voting by holders of the Bonds, Issuer or Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall, to the extent possible, send notice of such record date to DTC not less than 15 calendar days in advance of such record date.

3. In the event of a full or partial redemption or an advance refunding of part of the outstanding Bonds, Issuer or Agent shall send a notice to DTC specifying: (a) the amount of the redemption or refunding; (b) in the case of a refunding, the maturity date(s) established under the refunding; and (c) the date such notice is to be mailed to beneficial owners or published (the "Publication Date"). Such notice shall be sent to DTC by a secure means (e.g., legible telecopy, registered or certified mail, overnight delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. Issuer or Agent shall forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers (if applicable) which includes a manifest or list of each CUSIP submitted in that transmission. (The party sending such notice shall have a method to verify subsequently the use of such means and the timeliness of such notice.) The Publication Date shall be not less than 30 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date that the proceeds are deposited in escrow.

4. In the event of an invitation to tender the Bonds, notice by Issuer or Agent to Bondholders specifying the terms of the tender and the Publication Date of such notice shall be sent to DTC by a secure means in the manner set forth in the preceding Paragraph.

5. All notices and payment advices sent to DTC shall contain the CUSIP number of the Bonds.

6. Notices to DTC pursuant to Paragraph 2 by telecopy shall be sent to DTC's Reorganization Department at (212) 709-6896 or (212) 709-6897, and receipt of such notices shall be confirmed by telephoning (212) 709-6870. Notices to DTC pursuant to Paragraph 2 by mail or by any other means shall be sent to:

Supervisor; Proxy
Reorganization Department
The Depository Trust Company
7 Hanover Square; 23rd Floor
New York, NY 10004-2695

7. Notices to DTC pursuant to Paragraph 3 by telecopy shall be sent to DTC's Call Notification Department at (516) 227-4164 or (516) 227-4190. If the party sending the notice does not receive a telecopy receipt from DTC confirming that the notice has been received, such party shall telephone (516) 227-4070. Notices to DTC pursuant to Paragraph 3 by mail or by any other means shall be sent to:

Call Notification Department
The Depository Trust Company
711 Stewart Avenue
Garden City, NY 11530-4719

8. Notices to DTC pursuant to Paragraph 4 and notices of other actions (including mandatory tenders, exchanges, and capital changes) by telecopy shall be sent to DTC's Reorganization Department at (212) 709-1093 or (212) 709-1094, and receipt of such notices shall be confirmed by telephoning (212) 709-6884. Notices to DTC pursuant to the above by mail or by any other means shall be sent to:

Manager; Reorganization Department
Reorganization Window
The Depository Trust Company
7 Hanover Square; 23rd Floor
New York, NY 10004-2695

9. Transactions in the Bonds shall be eligible for next-day funds settlement in DTC's Next-Day Funds Settlement ("NDFS") system.

A. Interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co. Absent any other existing arrangements such payments shall be addressed as follows:

Manager; Cash Receipts
Dividend Department
The Depository Trust Company
7 Hanover Square; 24th Floor
New York, NY 10004-2695

B. Principal payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

NDFS Redemption Department
The Depository Trust Company
55 Water Street; 50th Floor
New York, NY 10041-0099

10. DTC may direct Issuer or Agent to use any other telephone number or address as the number or address to which notices or payments of interest or principal may be sent.

11. In the event of a redemption, acceleration, or any other similar transaction (e.g., tender made and accepted in response to Issuer's or Agent's invitation) necessitating a reduction in the aggregate principal amount of Bonds outstanding or an advance refunding of part of the Bonds outstanding, DTC, in its discretion: (a) may request Issuer or Agent to issue and authenticate a new Bond certificate, or (b) may make an appropriate notation on the Bond certificate indicating the date and amount of such reduction in principal except in the case of final maturity, in which case the certificate will be presented to Issuer or Agent prior to payment if required.

12. In the event that Issuer determines that beneficial owners of Bonds shall be able to obtain certificated Bonds, Issuer or Agent shall notify DTC of the availability of Bond certificates. In such event, Issuer or Agent shall issue, transfer, and exchange Bond certificates in appropriate amounts, as required by DTC and others.

13. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent (at which time DTC will confirm with Issuer or Agent the aggregate principal amount of Bonds outstanding). Under such circumstances, at DTC's request Issuer and Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Bonds to any DTC Participant having Bonds credited to its DTC accounts.

14. Nothing herein shall be deemed to require Agent to advance funds on behalf of Issuer.

Notes:

A. If there is an Agent (as defined in this Letter of Representations), Agent as well as Issuer must sign this Letter. If there is no Agent, in signing this Letter Issuer itself undertakes to perform all of the obligations set forth herein.

B. Under Rules of the Municipal Securities Rulemaking Board relating to "good delivery", a municipal securities dealer must be able to determine the date that a notice of a partial call or of an advance refunding of a part of an issue is published (the "publication date"). The establishment of such a publication date is addressed in Paragraph 3 of the Letter.

C. Schedule B contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

City of Canby, Oregon

(Issuer)

By: _____
(Authorized Officer's Signature)

First Interstate Bank of Oregon, N.A.

(Agent)

By: _____
(Authorized Officer's Signature)

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____
(Authorized Officer)

CC: Underwriter
Underwriter's Counsel

SCHEDULE A

(Describe Issue)

CUSIP

Principal Amount

Maturity Date

Interest Rate

SCHEDULE B

SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Exhibit B
(Form of Bond - Book-Entry Only)

No. R-____

\$ _____

United States Of America
State Of Oregon
City Of Canby
Clackamas County
Sewer Revenue Bond
Series 1992

Dated Date: November 1, 1992
Interest Rate: _____ %
Maturity Date: _____, ____
CUSIP Number: _____
Registered Owner: -----Cede & Co.-----
Principal Amount: ----- DOLLARS-----

CITY OF CANBY OF CLACKAMAS COUNTY, OREGON (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources indicated below, the Principal Amount indicated above on the above Maturity Date together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above. Interest is payable semiannually on the first days of June and December in each year until maturity or prior redemption, commencing _____ 1, 1993. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns, on each payment date. Such payments shall be made payable to the order of "Cede & Co."

This bond is one of a series of \$4,100,000 aggregate principal amount of Sewer Revenue Bonds, Series 1992 of the City (the "Bonds"), and is issued by the City for the purpose of financing sewerage facility improvements and to refund certain outstanding obligations of the City, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon, and the Charter of the City.

This Bond is not a general obligation or liability of the City, and is payable solely from the Net Revenues of the Sewer System as provided in Resolution No. 521 of the City adopted November 12, 1992, (the "Resolution"). The City covenants and agrees with the owner of this Bond that it will keep and perform all of the covenants in this Bond and in the Resolution. The City has pledged the Net Revenues of the Sewer System to the payment of principal and interest on this Bond.

The City reserves the right to redeem all or any portion of the Series 1992 Bonds by lot within a maturity at a price equal to 100 percent of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption.

The Bonds maturing on _____, _____, are subject to mandatory redemption on _____ 1 in each of the years and in the principal amounts set forth below, any such redemption to be at a price equal to 100 percent of the principal amount to be redeemed plus accrued and unpaid interest thereon to the date fixed for redemption. The particular Bonds to be redeemed on each such date shall be selected by lot in such manner as the Registrar shall determine.

Redemption Date

Principal Amount

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Letter of Representations to The Depository Trust Company, as referenced in the Resolution. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice.

The Bonds are initially issued as a book-entry only security issue with no certificates provided to the Bondowners. Records of bond ownership will be maintained by the City's paying agent and registrar, which is currently First Interstate Bank of Oregon, N.A., in Portland, Oregon (the "Registrar"), and The Depository Trust Company and its participants. The Registrar will notify The Depository Trust Company promptly of any Bonds called for redemption.

Should the book-entry only security system be discontinued, the Bonds shall be issued in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Such Bonds may be exchanged for Bonds of the same aggregate principal amount, but different authorized denominations, as provided in the Resolution.

Any transfer of this Bond must be registered, as provided in the Resolution, upon the bond register kept for that purpose at the principal corporate trust office of the Registrar. This Bond may be transferred only by surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and which is executed by the Registered Owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Resolution. The Registrar and the City may treat the person in whose name this Bond is registered as its absolute owner for all purposes, as provided in the Resolution.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE CITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon and the Charter of the City; that the issue of which this Bond is a part, and all other obligations of such City, are within every debt limitation and other limits prescribed by such Constitution, Statutes and Charter.

IN WITNESS WHEREOF, the City Council of the City of Canby of Clackamas County, Oregon has caused this Bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of its Recorder as of the date indicated above.

City of Canby
Clackamas County, Oregon

Mayor

Attest:

Recorder

This Bond shall not be valid unless properly authenticated by the Registrar in the space indicated below.

Statement of Insurance

Capital Guaranty Insurance Company ("Capital Guaranty"), a Maryland Corporation, has issued its Financial Guaranty Bond Number _____ (the "Guaranty") securing the payment of this Bond when Due for Payment, as such terms are defined in said Guaranty.

Reference is made to the Guaranty for the complete provisions thereof. All payments required to be made under the Guaranty shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation and transfer rights of Capital Guaranty as are more fully set forth in the Guaranty.

Certificate of Authentication

This is one of the City of Canby of Clackamas County, Oregon Sewer Revenue Bonds, Series 1992 issued pursuant to the Resolution described herein.

Dated: _____, 1992.

First Interstate Bank of Oregon, N.A., as Registrar

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____
_____ attorney to transfer this Bond on the books kept for registration
thereof with the full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name of the registered
owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change
whatever.

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be
construed as though they were written out in full according to applicable laws or regulations.

TEN COM	--	tenants in common
TEN ENT	--	as tenants by the entireties
JT TEN	--	as joint tenants with right of survivorship and not as tenants in common
OREGON CUSTODIANS use the following		
_____ CUST UL OREG _____		MIN
_____	as custodian for	(name of minor)
OR UNIF TRANS MIN ACT		
under the Oregon Uniform Transfer to Minors Act		

Additional abbreviations may also be used though not in the list above.

