

RESOLUTION NO. 670

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

The City Council of the City of Canby, Clackamas County, Oregon (the "City"), resolves as follows:

1. Findings

1.1. The City previously adopted its Resolution No. 521 on November 12, 1992 (the "1992 Resolution") which authorized the issuance of its Sewer Revenue Bonds, Series 1992 (the "Series 1992 Bonds"), in the amount of \$4,100,000 and which provided the terms under which future Bonds were to be issued.

1.2. The City previously adopted Resolution No. 657 on October 27, 1997 (the "Master Resolution") which restated the 1992 Resolution and authorized the issuance of its Sewer Revenue Refunding Bonds, Series 1997 (the "1997 Bonds") which refunded the callable portion of the 1992 Bonds and provided for the issuance of Parity Obligations.

1.3. The City previously adopted Resolution No. 651 on September 3, 1997. This Resolution initiated the authorization of additional sewer revenue bonds, in an amount not to exceed \$1,500,000, pursuant to the Uniform Revenue Bond Act. No petitions were filed which would have required an election.

1.4. It is now appropriate to issue the additional sewer revenue bonds as Parity Obligations pursuant to this 1998 Resolution to provide funds with which to construct additional improvements to the City's sewer system.

2. Definitions, Assignment and Pledge

2.1. Definitions.

Capitalized terms used in this 1998 Resolution have the meanings defined for such terms in the Master Resolution, some of which are repeated herein for convenience. In addition, the following words and phrases shall have the meanings herein set forth unless the context clearly indicates that another meaning is intended.

"1998 Bonds" means the Revenue Bonds to be issued in one or more series pursuant to this 1998 Resolution.

"1998 Resolution" means this Supplemental Resolution authorizing issuance of the 1998 Bonds.

“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.

“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 15.A.(7) of the Master 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,

“Net Revenues” means the Gross Revenues less the Operating Expenses,

“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 premium, 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.

“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 Series of Bonds.

3. Assignment and Pledge of Revenues

3.1. Pledge of Net Revenues.

The City hereby pledges the Net Revenues to the payment of the principal of, premium (if any) and interest on all Bonds issued hereunder and on a parity with its Series 1992 Bonds and its 1997 Bonds. Pursuant to ORS 288.594, the pledge of the Net Revenues hereby made by the City shall be valid and binding from the time of the adoption of this 1998

Resolution. The Net Revenues so pledged and hereafter received by the City shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of the pledge shall be superior to all other claims and liens whatsoever (except for the lien of the 1998 Bonds) to the fullest extent permitted by ORS 288.594.

4. Findings and Determinations

4.1. Receipt of Certificate Required by Master Resolution.

On or prior to execution of a Bond Purchase Contract, a certificate of a qualified firm, pursuant to the Master Resolution shall be filed with the City and the Bond Purchaser stating that the requirements of Sections 13.A.5. of the Master Resolution have been met; that is, the Net Revenues (calculated in the manner described in the first sentence of Section 12.A. of the Master 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 these 1998 Bonds.

4.2. Additional Tests for the 1998 Bonds.

4.2.1. On or prior to execution of a Bond Purchase Contract there shall have been filed with the City and the Bond Purchaser a certificate stating that:

4.2.1.1. No Default under the Master Resolution has occurred and is continuing; and

4.2.1.2. There is no deficiency in the Debt Service Fund and the Reserve Account;

4.2.2. On or prior to closing, there shall be deposited to the Reserve Account an amount sufficient or Reserve Equivalent to bring the balance in the Reserve Account equal to the Required Reserve for all outstanding Bonds, including the 1998 Bonds.

5. General Terms and Provisions of 1998 Bonds

5.1. Book-Entry-Only Form.

The 1998 Bonds shall be issued and the 1998 Bonds authenticated pursuant to Sections 5 and 7 of the Master Resolution.

5.2. Responsibilities of the Registrar.

5.2.1. The Registrar has no obligation to make payments on the 1998 Bonds except from Net Revenues and other money provided to it by the City.

5.2.2. The Registrar is the agent of the City, and does not represent Owners.

5.2.3. The Registrar shall not be liable to the City or any Owner unless the Registrar has breached its contractual obligations or has negligently acted or omitted to act.

5.2.4. The City shall transfer amounts in the Debt Service Fund to the Registrar on or prior to each Payment Date, in amounts and at times so that the Registrar will have sufficient funds available to it to permit the Registrar to pay 1998 Bond principal, interest, and premium, if any, when due.

5.3. 1998 Bond Form; Execution.

The 1998 Bonds shall be in substantially the form attached as Exhibit A to this Resolution. The 1998 Bonds shall be signed on behalf of the City with the facsimile signatures of the Mayor and Recorder of the City, and shall be authenticated by a manual signature of the Registrar.

6. 1998 Bond Proceeds; Covenants

6.1. Disposition of the Proceeds from the Sale of the 1998 Bonds.

6.1.1. On closing, the proceeds of the 1998 Bonds shall be deposited or transferred as follows:

6.1.1.1. Interest accrued from the date of the 1998 Bonds until the date of closing shall be placed in the Debt Service Fund, and shall be used to pay interest on the Series 1998 Bonds. A dollar amount or the Reserve Equivalent sufficient to meet the required Reserve shall be placed in the Reserve Account. The balance of the Series 1998 Bond proceeds shall be disbursed as directed by the City Administrator and may be used to pay costs of issuing and administering the Series 1998 Bonds.

6.2. Reaffirmation of Prior Covenants From Master Resolution.

6.2.1. 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 bond principal and interest due in that Fiscal Year on the 1998 Bonds. If the Net Revenues (calculated in the manner described in the preceding sentence) fail to meet this level, the City will take all action necessary to 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 6 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.

6.2.2. 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:

6.2.2.1. No Default has occurred and is continuing;

6.2.2.2. At the time of the issuance of the Parity Obligations there is no deficiency in the Debt Service Fund and the Reserve Account;

6.2.2.3. 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;

6.2.2.4. 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 12.A. of the Master Resolution) equal to the amount described in Section 12.A of the Master Resolution, including the proposed Parity Obligation;

6.2.2.5. Either (i) the Net Revenues (calculated in the manner described in the first sentence of Section 12.A. of the Master 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 12.A. of the Master 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;

6.2.2.6. The City may issue Parity Obligations to refund Outstanding Bonds, notwithstanding the requirements of Section 13.A. of the Master Resolution, if the required debt service of the refunding bonds does not exceed the debt service for the refunded bonds payable in any Fiscal Year;

6.2.2.7. The requirements of Section 13.A. shall apply if the debt service on the refunding bonds exceeds the debt service on the refunded bonds payable in any Fiscal Year; and

6.2.2.8. All Bonds issued in accordance with this Section 13 of the Master Resolution shall have a lien on the Net Revenues which is equal to the lien

of the 1992 Bonds and the 1997 Bonds and all Parity Obligations issued in accordance with Section 13 of the Master Resolution.

6.3. The City specifically reaffirms for the benefit of the owners of the 1998 Bonds all of the covenants the City made for the benefit of Bondowners in the Master Resolution.

7. Miscellaneous Provisions; Defeasance

7.1. 1998 Bonds Deemed No Longer to Be Outstanding Hereunder.

In the event that the City, to effect the payment, retirement or redemption of any Bond, sets aside in the Debt Service Fund or in another special account, held in trust by an independent trustee or escrow agent, obligations ("Defeasance Obligations") in amounts which will mature and pay interest on or prior to the Bond payment dates and which are sufficient to redeem, retire or pay such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such Defeasance Obligations are irrevocably set aside and pledged for such purpose then no further payments need be made into the Debt Service Fund for the payment of the principal of and interest on such Bond. The Owner of such Bond shall cease to be entitled to any lien, benefit or security of the Master Resolution except provisions regarding the transfer, exchange and replacement of Bonds, and shall be entitled to receive payment of principal, premium, if any, and interest only from such special account; such Bond shall be deemed not otherwise to be Outstanding hereunder and under the Master Resolution. The lien of such Bond upon the Net Revenues may be defeased, and such Bond shall be deemed paid, if the City places in irrevocable escrow Defeasance Obligations which are calculated to be sufficient, without reinvestment, to pay principal, interest and any premium on such Bond as it becomes due, either at maturity or on prior redemption.

7.2. Benefits of 1998 Resolution Limited to City, the Registrar, and Bondowners.

7.2.1. The covenants, representations, and warranties contained in this 1998 Resolution and the Master Resolution and each supplemental and amending resolution adopted pursuant to the Master Resolution and any covenants, representations and warranties in the closing documents relating to each series of Bonds issued pursuant to this 1998 Resolution and such supplemental and amending resolutions shall constitute contracts with the Bondowners of each such series of Bonds, and shall be enforceable by them.

7.2.2. Nothing in the Master Resolution or this 1998 Resolution, express or implied, is intended or shall be construed to confer upon or give to any person or corporation other than the City, the Registrar, and the Bondowners any rights, remedies or claims under or by reason of the Master Resolution or the 1998 Resolution or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in the Master Resolution or the 1998 Resolution contained by or on behalf of the City shall be for the sole and exclusive benefit of the City, the Registrar, the Credit Provider and the Bondowners.

7.3. SEC Disclosure

The City Administrator is hereby authorized and directed on behalf of the City to execute the Continuing Disclosure Certificate (the "Certificate"). The Certificate is being executed for the benefit of the holders of the 1998 Bonds and to assist the underwriter of the 1998 Bonds in complying with Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule"). The City shall comply with the provisions of the Certificate and the Rule and shall enforce the provisions of the Certificate on behalf of the holders of the 1998 Bonds.

7.4. Bank Qualified.

The City designates the 1998 Bonds as qualified tax-exempt obligations pursuant to Section 265(b)(3) of the Code. The City does not expect to issue more than \$10,000,000 of tax-exempt obligations during the current calendar year.

8. Delegation, Prepayment and City Purchase

8.1. Delegation

8.1.1. The City Administrator may, on behalf of the City and without further action by the City Council:

8.1.1.1. participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the 1998 Bonds;

8.1.1.2. enter into an undertaking to provide continuing disclosure for the benefit of the owners of the 1998 Bonds in accordance with the applicable rules of the United States Securities and Exchange Commission;

8.1.1.3. establish the final principal amounts, maturity schedules, interest rates, which shall not exceed a true interest rate of 6.5%, sale prices, redemption terms, payment terms and dates, the number of issues or series, and other terms of the 1998 Bonds;

8.1.1.4. apply for and purchase insurance and Reserve Sureties for the 1998 Bonds and execute and deliver related documents;

8.1.1.5. negotiate the terms of and execute a bond purchase contract with the Bond Purchaser or otherwise award the sale of the 1998 Bonds;

8.1.1.6. execute and deliver any related certificates or documents which are reasonably required to issue, sell and deliver and insure the 1998 Bonds in accordance with this 1998 Resolution and take any other action in connection with the 1998 Bonds which the City Administrator finds will be advantageous to the City.

8.2. Severability.

If any one or more of the covenants or agreements provided in the 1998 Resolution on the part of the City to be performed 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 severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the 1998 Resolution or of the 1998 Bonds issued hereunder.

8.3. Article and Section Headings; Table of Contents.

The headings or titles of the several articles and sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning or construction, interpretations or effect of this 1998 Resolution.

8.4. Master Resolution

Except as herein provided otherwise, all terms and conditions of the Master Resolution remain in full force and effect.

Dated this 1st day of April 1998.

City of Canby
Clackamas County, Oregon



Mayor

Attest:



Recorder

**Exhibit A
Form of Bond**

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
County of Clackamas
City of Canby
Sewer Revenue Bonds
Series 1998

Dated Date: May 1, 1998

Interest Rate Per Annum: «CouponRate»%

Maturity Date: «MaturityYear»

CUSIP Number: «CUSIPNumbr»

Registered Owner: -----CEDE & CO.-----

Principal Amount: -----«PrincipalAmtSpelled» DOLLARS-----

THE CITY OF CANBY, IN 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 _____ and _____ in each year until maturity or prior redemption, commencing _____, _____. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently BNY Western Trust, in Los Angeles, California (the "Registrar") as of the close of business on the fifteenth day of the month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a series of \$1,500,000 aggregate principal amount of Sewer Revenue Bonds, Series 1998 of the City (the "Bonds"), and is issued by the City for the purpose of financing sewerage facility improvements 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. ____ of the City adopted _____, _____ and supplemental Resolution No. 657 adopted April 1, 1998 (collectively, 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 on a parity with other outstanding obligations.

The Bonds shall mature and be subject to redemption as described in the Purchase Agreement for the Bonds which is dated _____, _____ and in the final Official Statement for the Bonds which is dated _____, _____.

The Bonds are initially issued as a book-entry only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by The Depository Trust Company and its participants.

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.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer 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 Registrar will notify The Depository Trust Company of any Bonds called for redemption not less than 30 days prior to the date fixed for redemption. Notice of redemption shall be published as provided by law. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail not less than thirty days nor more than sixty days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed at the address shown on the Bond register; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or 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. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or 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.

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, Oregon

Mayor

Attest:

Recorder

STATEMENT OF INSURANCE

_____. (“_____”),
_____, has delivered its municipal bond insurance policy with respect to
the scheduled payments due of principal of and interest on this Bond to _____, or its successor,
as paying agent for the Bonds (the “Paying Agent”). Said Policy is on file and available for inspection at the
principal office of the Paying Agent and a copy thereof may be obtained from _____ or the Paying
Agent.

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE
REGISTRAR IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This is one of the \$ _____ aggregate principal amount of City of Canby, Clackamas
County, Oregon Sewer Revenue Bonds, Series 1998 issued pursuant to the Resolution described herein.

Date of authentication: _____.

_____, 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 _____ as 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.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

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.