

A BILL FOR AN ORDINANCE OF THE CITY OF) Ordinance Bill No. 11
 LEBANON, LINN COUNTY, OREGON, AUTHORIZING) for 1990
 THE ISSUANCE, SALE AND DELIVERY OF)
 \$4,508,869.95 AGGREGATE PRINCIPAL AMOUNT OF) Ordinance No. 2076
 WASTEWATER REVENUE BONDS, SERIES 1990 TO)
 SEATTLE-NORTHWEST SECURITIES CORPORATION;)
 DESCRIBING THE BONDS; PROVIDING FOR THE)
 DEPOSIT OF AND DISPOSITION OF REVENUE;)
 CREATING A RESERVE ACCOUNT; PROVIDING FOR)
 ADDITIONAL BONDS; RETAINING AN INDEPENDENT)
 EXPERT; PROVIDING CERTAIN COVENANTS WITH)
 RESPECT TO FEDERAL TAX LAW; SPECIFYING A)
 PLAN AS TO THE SUFFICIENCY OF THE NET)
 REVENUES OF THE WASTEWATER SYSTEM AND)
 FACILITIES; AND PROVIDING FOR OTHER MATTERS)
 PROPERLY RELATING TO THE WASTEWATER REVENUE)
 BONDS; AND DECLARING AN EMERGENCY.)

The City of Lebanon located in the County of Linn, State of Oregon (the "City") is duly organized and existing under and by virtue of the laws of the State of Oregon and the Charter of the City; and

The City is authorized to issue wastewater revenue bonds pursuant to the terms and provisions of Oregon Revised Statutes 288.805 to 288.945, inclusive, to finance a portion of the construction and installation of improvements, extensions and betterments to the City wastewater system and facilities (the "Wastewater System"). The City Wastewater System is a revenue producing facility owned and operated by the City. The City is authorized to pledge for the payment of the wastewater revenue bonds, the revenues as defined in Oregon Revised Statutes 288.805(6) as generated from the Wastewater System.

Pursuant to Oregon Revised Statutes 288.815(6) a Notice of Intent to Issue Bonds describing the purposes for which the Bonds are to be sold, was published in an issue of the Lebanon Express, a newspaper of general circulation in and published within the City. In addition the Notice of Intent to Issue Bonds was given in the same manner as are other public notices of the City.

The Notice of Intent to Issue Bonds provided that if a petition containing signatures of not less than 5% of electors of the City is filed with the City within sixty (60) days following publication of the Notice of Intent to Issue Bonds, the question of issuing the bonds shall be placed on ballot at the next legally available election.

More than sixty (60) days have elapsed since the publication of the Notice of Intent to Issue Bonds and no petition has been filed with the City by any elector of the City.

The City has prepared a plan, pursuant to Oregon Revised Statutes 288.825(2), showing that the estimated net revenues of the Wastewater

System are sufficient to pay the estimated debt service on the Series 1990 Bonds.

THE CITY OF LEBANON ORDAINS AS FOLLOWS:

Section 1: DEFINITIONS

As used in this Ordinance, the following words shall have the following meanings:

Additional Bonds shall mean any wastewater revenue bonds which the City may hereafter issue having a lien upon the Net Revenue of the Wastewater System for the payment of the principal thereof and interest thereon equal to the lien upon the Net Revenue of the Bonds and any Additional Bonds.

Annual Debt Service shall mean the amount required in a given fiscal year for the payment of the principal of (including any mandatory sinking fund installment on the Term Bond due in such year) and interest on the Bonds and any Additional Bonds, except interest to be paid from the proceeds of such Additional Bonds.

Average Annual Debt Service shall mean the average amount of the Annual Debt Service which will become due on the Bonds and any Additional Bonds for the period from the date of such calculation until the final maturity date of such Bonds. Term Bonds shall be calculated based on the mandatory redemption requirements.

Bond Register shall mean the registration records of the City, maintained by the Bond Registrar, on which shall appear the names and addresses of the Registered Owners of the Bonds.

Bond Registrar shall mean the First Interstate Bank of Oregon, N.A. in Portland, Oregon, or its successors in functions, as now or hereafter designated.

Bonds or Series 1990 Bonds shall mean the Current Interest Bonds and the Deferred Interest Bonds authorized by this Ordinance in the aggregate principal amount of \$4,508,869.95.

City shall mean the City of Lebanon, Oregon, a city duly organized and existing under and by virtue of the laws of the State of Oregon and the Charter of the City.

Code shall mean the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder or applicable thereto.

Computation Period shall mean each period from the date of issuance of the Bonds through the date the Rebate Amount is determined pursuant to Section 12 hereof.

Construction Account shall mean the "City of Lebanon Wastewater Projects Construction Account" referred to in Section 9 of this Ordinance, heretofore created within the Wastewater Account for the purpose of paying the Costs of the Projects.

Costs of Maintenance and Operation shall mean all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expense, but excludes depreciation, payments for debt service or into reserve accounts, costs of capital additions to or replacements of the Wastewater System.

Costs of the Projects or any phrase of similar import, shall mean all or any part designated by the City as the Costs of the Projects, or interest therein, which costs, at the option of the City, may include all or any part of the incidental costs pertaining to the Projects, including, without limitation:

(1) Preliminary expenses advanced by the City from funds available for the use therefore, or advanced by the federal government, or from any other source, with approval of the Council, or any combination thereof;

(2) The costs of making surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;

(3) The costs of appraising, printing, estimates, advice, services of engineers, architects, financial consultants, attorneys at law, clerical help, or other agents or employees;

(4) The costs of contingencies;

(5) The costs of any discount on the Bonds, any of the costs of issuance of the Bonds, and any municipal bond insurance premiums paid in connection with the issuance of the Bonds;

(6) The costs of funding any short-term financing; or other temporary loans appertaining to the Projects and of the incidental expenses incurred in connection with such loans;

(7) The acquisition costs of any properties, rights, easements, or other interest in properties, or any licenses, privileges and agreements; and

(8) All other expenses necessary or desirable and appertaining to the Projects, as estimated or otherwise ascertained by the Council.

Council shall mean the Council of the City as duly and regularly constituted from time to time.

Current Interest Bonds shall mean those Bonds maturing in the years 2000, 2005 and 2020 and which pay interest semi-annually.

Debt Service Activity shall mean the Debt Service Activity within the Wastewater Account created by Section 11 of this Ordinance.

Deferred Interest Bonds shall mean those Bonds maturing in the years 2006 through and including 2010 and which pay interest only at maturity or earlier redemption.

Government Obligations shall mean direct obligations issued by the United States Treasury wherein the full and timely payment as to principal and interest is guaranteed by the United States of America.

Improvement or Improve shall include the extension, widening, lengthening, betterment, alteration, reconstruction or other improvement, or any combination thereof, to any properties pertaining to the Projects or an interest therein, but does not mean general maintenance or repair.

Maximum Annual Debt Service shall mean an amount equal to the greatest Annual Debt Service with respect to the Bonds and any Additional Bonds for the current or any future fiscal year.

Mayor shall mean the Mayor of the City, or any presiding officer or his/her successor in functions, if any.

Net Proceeds, shall mean the face amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount and proceeds deposited into the Reserve Account, if any.

Net Revenue shall mean the Revenue of the Wastewater System less the Costs of Maintenance and Operation.

Outstanding, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Ordinance, except (i) Bonds canceled because of payment or redemption prior to their stated dates of maturity, and (ii) any Bond (or portion thereof) for the payment or redemption of which there has been separately set aside and held for the payment thereof sufficient funds to redeem such Bonds.

Private Person shall mean any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation and are the beneficial owners or registered owners of the Bonds.

Projects shall mean the undertaking of improving the Wastewater System, as described in Section 2 hereof.

Rebate Account shall mean the Rebate Account created by Section 12 of this Ordinance.

Rebate Amount shall mean the amount calculated pursuant to Section 12 hereof, representing excess investment earnings which must be rebated to the United States.

Rebate Bond Period shall mean the five-year period beginning on the date the Bonds are delivered to the initial purchaser and ending five years later, and each subsequent five-year period prior to final maturity.

Registered Owner or Registered Owners shall mean the person or persons whose names and addresses shall appear on the Bond Register maintained by the Bond Registrar, as the owner or owners of a specific Bond.

Reserve Account shall mean the account created in the Debt Service Activity by Section 11(B) of this Ordinance.

Reserve Account Requirement shall mean an amount equal to the least of the (a) Maximum Annual Debt Service of the Bonds, (b) 10% of the proceeds of the Bonds or (c) 125% of the Average Annual Debt Service of the Bonds.

Revenue of the Wastewater System shall mean all earnings, revenue and moneys received by the City from or on account of the operation of the Wastewater System, including the income from investments of money in the Debt Service Activity and the Reserve Account or from any other investment thereof except system development charges and collections on behalf of other governments pursuant to intergovernmental agreements. The words "Revenue of the Wastewater System" also shall include any state or public corporation reimbursements of operating expenses to the extent such expenses are included as Costs of Maintenance and Operation of the Wastewater System.

Wastewater Account shall mean the Wastewater Account of the City as heretofore created and referred to in Section 9 of this Ordinance, into which all of the Revenue of the Wastewater System is pledged to be deposited.

System or Wastewater System shall mean the existing wastewater acquisition, storage, treatment and distribution system as it now exists and as it may later be added to, extended and improved, and shall include buildings, structures, equipment, utilities or other income producing facilities from the operation of or in connection with which revenues for the payment of the Bonds to be issued hereunder will be derived, and the lands appertaining thereto, including, without limitation, any facilities to be acquired with the proceeds of the Bonds.

Term Bonds shall mean Current Interest Bonds maturing on the dates specified in Section 3(B)(1) hereof but subject to mandatory sinking fund redemption as provided in Section 5(B) hereof.

Section 2: THE PROJECTS

A. Description of Projects. The Projects include the acquisition, construction, storage and installation of improvements and betterments to the Wastewater System and facilities of the City, and consist generally of the following:

(1) Major maintenance and repair at the City's Wastewater Treatment Plant, construction of a lagoon for sludge handling and disposal; land purchase for surge control; upgrades to the Harrison Street Pump Station; reconstruction of the wastewater collection system under East Grant Road, Seventh Street, Second and Morton Streets and Airport Road; purchase of a generator and a combination vehicle cleaner; pipe replacement; expansion of shop facilities; and upgrades the City's downtown storm water/wastewater collection system;

(2) Engineering fees, administrative costs, legal fees, any discount on the Bonds, bond insurance premiums, if any, and all other Costs of the Projects incidental thereto.

B. Costs of the Projects. The total costs of the Projects to be financed by the Bonds is estimated to exceed the aggregate principal amount of the Bonds. The remaining costs of the Projects are to be financed by City-appropriated reserves and capital improvement funds.

Section 3: THE BONDS

A. Description of Bonds. The Bonds are authorized to be issued, and shall be designated "City of Lebanon Wastewater Revenue Bonds, Series 1990" (the "Bonds"). The Current Interest Bonds shall be dated June 1, 1990, the Deferred Interest Bonds shall be dated June 29, 1990, the Bonds shall be in the aggregate principal sum of \$4,508,869.95, shall be in denominations of \$5,000 each or any integral multiple thereof provided that no single Bond shall represent more than one maturity, and shall be issued only in fully registered form. After consideration of the advantages and benefits of the City of a public sale or a private negotiated sale of the Bonds, and acting upon the recommendations of the City Administrator and the Finance Director, the Council does specifically find and determine that it is desirable for the City, and it is authorized, that the Bonds be sold at private negotiated sale. The Bonds shall be substantially in the form set forth in Exhibit A attached hereto and hereby made a part hereof.

The Current Interest Bonds shall bear interest at the rates hereinafter set forth, payable semiannually commencing on December 1, 1990, and on each June 1 and December 1 thereafter, to their date of maturity or prior redemption.

The Deferred Interest Bonds shall accrete in value at the approximate yield to maturity as hereinafter set forth, payable at maturity or prior redemption.

The Bonds shall be executed, authenticated and numbered as provided in Section 6 hereof.

B. The Bonds.

(1) Term Bonds shall mature on June 1 of each year in the principal amounts, and bearing interest at the rates, set forth on the following schedule:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2000	\$ 860,000	7.125%
2005	755,000	7.50%
2020	2,640,000	7.50%

(2) The Deferred Interest Bonds shall mature on June 1 of each year in the principal amounts, maturity amount and approximate yield to maturity set forth on the following schedule:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Maturity Amount</u>	<u>Approximate Yield to Maturity</u>
2006	\$59,984.40	\$185,000	7.20%
2007	54,983.85	185,000	7.30%
2008	50,301.50	185,000	7.40%
2009	45,929.95	185,000	7.50%
2010	42,670.25	185,000	7.50%

C. Limited Obligation of City. The Bonds shall be limited obligations of the City payable solely from the Net Revenues of the Wastewater System and such other funds as described in this Ordinance. The Bonds shall not be general obligations of the City nor shall the Bonds be a charge upon the tax revenues of the City.

Section 4: PLACE AND MANNER OF PAYMENT

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America to the Registered Owners thereof, whose names and addresses shall appear on the Bond Register maintained by the Bond Registrar.

Payment of each installment of interest on the Current Interest Bonds shall be made to the Registered Owner whose name appears on the Bond Register as of the fifteenth day of the calendar month next preceding the interest payment date, and shall be paid by check of the

Bond Registrar mailed to such Registered Owner on the interest due date at the address appearing on the Bond Register, or at such other address as may be furnished in writing by such Registered Owner to the Bond Registrar.

Principal of the Current Interest Bonds and the principal of and accreted interest on the Deferred Interest Bonds shall be payable to the Registered Owners, upon presentation and surrender of the Bonds on or after the date of maturity or prior redemption, at the principal corporate trust office of the Bond Registrar.

Section 5: REDEMPTION PRIOR TO MATURITY

A. Optional Redemption. The Bonds maturing in the year 2000 shall not be subject to redemption prior to its stated date of maturity. The Bonds maturing on or after June 1, 2001 shall be subject to redemption prior to their stated maturities at the option of the City, on June 1, 2000 or on any interest payment date thereafter, in whole, or in part in inverse order of maturity (and by lot within a maturity in such manner as the Bond Registrar shall determine), at 100% of the principal amount thereof plus accrued interest to the date of redemption in the case of Current Interest Bonds and at the accreted value for the Deferred Interest Bonds.

B. Mandatory Redemption. The Term Bonds shall be subject to mandatory redemption prior to their stated maturity, in part, by lot, from mandatory sinking fund payments set forth below, at a price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest thereon through the date fixed for redemption, in accordance with the following schedule:

Mandatory Sinking Fund Payment
for Bonds due June 1, 2000

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1991	\$ 75,000	1996	\$ 95,000
1992	80,000	1997	100,000
1993	85,000	1998	105,000
1994	-0-	1999	115,000
1995	85,000	2000	120,000

Mandatory Sinking Fund Payment
for Bonds due June 1, 2005

<u>Year</u>	<u>Amount</u>
2001	\$130,000
2002	140,000
2003	150,000
2004	160,000
2005	175,000

Mandatory Sinking Fund Payment
for Bonds due June 1, 2020

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$190,000	2016	\$270,000
2012	200,000	2017	290,000
2013	215,000	2018	310,000
2014	230,000	2019	330,000
2015	250,000	2020	355,000

C. Notice of Redemption. Notice of any such redemption shall be given not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of each Bond to be redeemed, at the address appearing on the Bond Register. The requirements of this Section shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether it is actually received by the Registered Owner of any Bond.

D. Effect of Redemption. Interest on any Bonds so called for redemption shall cease to accrue or accrete interest on the date fixed for redemption, unless such Bond or Bonds so called are not redeemed upon presentation made pursuant to such call.

E. Voluntary Redemption Notice. In addition to the notice required by Section 5(B) above, further notice may be given by the Bond Registrar as set forth below, but no defect in such 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 prescribed in Section 5(B).

(1) Each further notice of redemption given hereunder may contain the following information:

(a) the redemption rate;

(b) the redemption price;

(c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption), the respective principal amounts of the Bonds to be redeemed;

(d) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after the date of redemption;

(e) The place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Bond Registrar;

- (f) the CUSIP numbers of all Bonds being redeemed;
- (g) the date of issue of the Bonds as originally issued;
- (h) the rate of interest of each Bond being redeemed;
- (i) the maturity date of each Bonds being redeemed; and
- (j) any other descriptive information needed to identify the Bonds being redeemed.

(2) Each further notice of redemption may be given at least thirty (30) days before the redemption date by registered or certified mail or overnight delivery service to:

- (a) each registered securities depository then holding the Bonds, and one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(3) Each such further notice may be published one time in the Bond Buyer of New York, New York or noted in its Bond-Call Calendar, or, if such publication is impractical or unlikely to reach a substantial number of the Registered Owners of the Bonds being redeemed, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least thirty (30) days prior to the date fixed for redemption.

F. Open Market Purchase and Cancellation. The City hereby reserves the right to purchase Bonds on the open market at a price equal to or less than par. In the event that the City shall purchase Bonds, the Bonds so purchased shall be credited at the par amount thereof to the debt service requirement next becoming due. All Bonds so purchased shall be canceled.

Section 6: EXECUTION OF BONDS

The Bonds shall be executed on behalf of the City by the facsimile signature of the then Mayor and shall be attested by the facsimile signature of the then City Recorder.

The Bonds shall be delivered to the Bond Registrar for authentication. The Bonds shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification.

Until the definitive Bonds are prepared, the City may, if deemed necessary by the City Administrator or the Finance Director, utilize a temporary Bond which shall be typewritten, and which shall be delivered to the purchaser of the Bonds in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the

definitive Bonds. Such temporary Bond shall be substantially of the tenor of such definitive Bonds, but with such omissions, insertions and variations as may be appropriate for temporary bonds, and shall be manually signed by the Mayor, the City Recorder, and authenticated by the Bond Registrar.

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

Only such of the Bonds as shall bear thereon a Certificate of Authentication in the form hereinafter recited, manually executed by the Bond Registrar and shall be valid or obligatory for any purpose or entitled to the benefits of this Ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Ordinance.

Section 7: BOND REGISTRAR

The First Interstate Bank of Oregon, N.A., Portland, Oregon is appointed as Bond Registrar, authenticating agent and paying agent and is requested to authenticate the Bonds. With respect to the Bonds, the Bond Registrar shall be subject to the following terms and conditions:

A. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City. The records of the registered bond ownership are not public records within the meaning of Oregon Revised Statutes 192.410(4).

B. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

C. The Bond Registrar may become the Registered Owner of Bonds with the same rights it would have if it were not the Bond Registrar, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Registered Owners of the Bonds.

D. The Bond Registrar shall enter into a Paying Agent and Bond Registrar Agreement with the City. The Agreement shall provide for compliance with Oregon Administrative Rule 170-61-010.

Section 8: RATES AND CHARGES

The City has established and does covenant, from time to time, to revise, and collect from the users of the Wastewater System, rates and charges for furnishing the services and the facilities of the Wastewater System to such users in compliance with Section 13(B) hereof. The City may establish rates and charges for furnishing the wastewater services and facilities, which may differ from those users who are within the boundaries of the City from those users who are outside the boundaries of the City.

Section 9: PLEDGE OF REVENUES

The Net Revenue is pledged for the payment of the Bonds and any Additional Bonds. All Revenue of the Wastewater System shall be deposited into the Wastewater Account as collected, and shall be held separate and apart from all other funds of the City. The Revenue of the Wastewater System deposited therein shall be used only for the following purposes and in the following order of priority:

First, to pay the Costs of Maintenance and Operation of the Wastewater System;

Second, to pay the interest and principal on the Bonds, any Additional Bonds, and any mandatory sinking fund deposits required to be made into the Debt Service Activity for the payment of the principal of Term Bonds;

Third, to make all payments required to be made into the Reserve Account created to secure the payment of the Bonds and to provide for any deficiency in the Reserve Account;

Fourth, to retire by redemption or purchase in the open market any outstanding Bonds as determined by the City to be payable from the Revenue of the Wastewater System, and to make necessary additions, betterments, improvements and repairs to, and extensions and replacements of the Wastewater System, or for any other or lawful City purposes.

Section 10: CONSTRUCTION ACCOUNT

The City shall maintain within the Wastewater Account, an account known as the "City of Lebanon Wastewater Construction Account" (herein called the "Construction Account"), for the purpose of paying the Costs of the Projects and the costs of issuance of the Bonds. Any interest earnings on moneys invested from the Construction Account shall be retained in the Construction Account. The City's share of any liquidated damages or other moneys paid by defaulting contractors

or their sureties will be deposited into the Construction Account to assure the completion of the Projects.

When the Projects have been completed and all costs related thereto have been paid in full, any balance remaining in the Construction Account may be used for other capital improvements and betterments of the Wastewater System, or may be deposited into the Debt Service Activity hereinafter created.

Section 11: DEBT SERVICE ACTIVITY

A. Debt Service Activity. The City does create a Debt Service Activity in the Wastewater Account. Sufficient Net Revenues shall be deposited monthly to the Debt Service Activity for the payment of the principal of, premium, if any, applicable mandatory sinking fund deposits, if any, and interest on the Bonds and any Additional Bonds.

As long as the Bonds remain Outstanding, the City does irrevocably covenant, pledge and bind itself to set aside and pay from the Net Revenue of the Wastewater System into the Debt Service Activity, those amounts necessary, together with such other funds as are on deposit and available in the Debt Service Activity, to pay the semi-annual interest due, or the principal and interest, next coming due on the Bonds and any Additional Bonds.

Such payments shall be made on or before the 1st day of each month as follows:

(1) Beginning with the month of July, 1990, and continuing for as long as any of the Bonds and any Additional Bonds are Outstanding, an amount together with other moneys available therefore in the Debt Service Activity, will be equal to at least one-sixth (1/6) of the interest due and payable on the next interest payment date on the Bonds and any Additional Bonds; and

(2) Beginning with the month of July, and continuing for as long as any of the Bonds and any Additional Bonds are outstanding, an amount together with other moneys available therefor in the Debt Service Activity, will be equal to at least one-twelfth (1/12) of the next maturing principal of the Bonds or the mandatory sinking fund installment on the Term Bonds next due and any Additional Bonds.

B. Reserve Account. The City does create a Reserve Account ("Reserve Account") in the Debt Service Activity for the purpose of securing the payment of the principal of and interest on the Bonds. At the closing of the sale of the Bonds, the City will deposit into the Reserve Account an amount equal to the Reserve Account Requirement.

The City covenants and agrees that in the event of the issue of Additional Bonds it will provide in the Ordinance authorizing the

issuance that the City will pay into a reserve account from the proceeds of issue of the Additional Bonds, or from the Net Revenue of the Wastewater System not less than an amount which will be equal to a Reserve Account Requirement for each such Additional Bonds issue.

The City covenants and agrees that when the required deposits have been made into the Reserve Account, it will at all times maintain therein an amount at least equal to the Reserve Account Requirement on all Outstanding Bonds. Whenever there is an insufficient amount in the Debt Service Activity to pay the principal of, and premium if any, on all outstanding Bonds, the money in the Reserve Account may be used to pay such principal, premium and interest on the Bonds. Money in the Reserve Account may be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, on any Bonds, as long as the moneys left remaining on deposit in the Reserve Account are equal to the Reserve Account Requirement on the remaining Outstanding Bonds. If at any time the amount in the Reserve Account exceeds the Reserve Account Requirement, such surplus shall be deposited into the Debt Service Activity.

In the event there shall be a deficiency in the Debt Service Activity to meet maturing installments of either interest on or principal of and interest on the outstanding Bonds payable from the Debt Service Activity, such deficiency amount shall be transferred from the Reserve Account to the Debt Service Activity. Any deficiency created in the Reserve Account by reason of such transfer shall be transferred from the Net Revenues, after making necessary provision for the payments required to be made by subparagraphs First and Second of Section 9 hereof.

Notwithstanding anything in this Section 11 to the contrary, the City shall not be obligated to accumulate and maintain in a reserve account for the Bonds or any Additional Bonds an amount at least equal to the Reserve Account Requirement for the Bonds or Additional Bonds if the timely payment of the principal of and interest on such Bonds or the Additional Bonds shall be guaranteed by an unconditional and irrevocable policy of municipal bond insurance or a letter of credit issued by a financial institution whose long term obligations are rated in one of the two highest ratings of Standard and Poor's Corporation or of Moody's Investors Service, Inc.

C. Priority of Lien of Payments into the Debt Service Activity. The amounts to be paid into the Debt Service Activity from the Net Revenue are pledged and declared to be a prior lien and charge thereon in favor of the Bonds and any Additional Bonds superior to all other charges of any kind or nature whatsoever except the Costs of Maintenance and Operation of the Wastewater System.

D. Application and Investment of Moneys in the Debt Service Activity. Moneys in the Debt Service Activity may be invested as permitted by law. Investments of funds in the Debt Service Activity shall mature prior to the date on which such moneys shall be required

for payment of interest or principal payments. All interest earned and income derived by virtue of investment of funds in the Reserve Account shall remain in the Debt Service Activity and be applied to meet the required deposits into any fund or account therein. Subject to other provisions of this subparagraph, moneys in the Debt Service Activity and the Reserve Account may be combined for the purpose of purchasing investments but the records of the City shall show to which Fund or Account the respective portions of any such combined investments are credited.

E. Sufficiency of Revenues. The Council finds that in fixing the amounts to be paid into the Debt Service Activity from the Revenue of the Wastewater System, it has exercised due regard for the Costs of Maintenance and Operation and has not obligated the City to set aside and pay into such Debt Service Activity a greater amount of such Revenue of the System than will be required to fully fund the Debt Service Activity.

Section 12: REBATE ACCOUNT

A. The Rebate Account, which is hereby created within the Wastewater Account, shall be held separate from other funds and accounts of the City and administered by the City. The City shall make deposits into and withdrawals and payments from the Rebate Account at such times and in such manner as provided herein.

(1) Unless otherwise directed in writing by nationally recognized bond counsel, the City shall calculate the Rebate Amount for each Rebate Bond Period and shall maintain the Rebate Amount in the Rebate Account for the next succeeding Rebate Bond Period, less the amounts, if any, previously paid to the United States as provided herein. The Rebate Amount, unless otherwise directed in writing by nationally recognized bond counsel, shall be calculated as follows:

(a) The aggregate amount earned, if any, on the amounts allocable to the Bonds, and on deposit in the Debt Service Activity, the Construction Account, and the Reserve Account for the Computation Period, minus

(b) The aggregate amount that would have been earned on the amounts allocable to the Bonds and deposited in the Rebate Account for the Computation Period if such amounts had been invested at a yield equal to the actuarial yield on the Bonds for the Computation Period, plus

(c) Any income (whether or not that income exceeds such yield on the Bonds) attributable to the excess of the amount computed under subparagraphs (a) over the amount computed under subparagraph (b) above.

2. The City shall make deposits into the Rebate Account sufficient to maintain the Rebate Amount, less the amounts, if any, previously paid to the United States as provided herein. Such deposits shall be made from any lawfully available moneys of the City. Any amounts that are withdrawn from the Rebate Account as a result of a decrease in the Rebate Amount may be deposited in the Debt Service Activity. Earnings on amounts in the Rebate Account must remain therein and may not be taken into account in determining a decrease in the Rebate Amount.

3. The City shall make installment payments from the Rebate Account to the United States. The first payment shall be made not later than thirty (30) days after the end of each Rebate Bond Period. Each subsequent installment payment shall be made not later than five (5) years after the preceding payment was due. Each installment payment shall be such that at least ninety percent (90%) of the Rebate Amount for the Computation Period ending immediately prior to such installment payment will have been paid to the United States. Not later than sixty (60) days after retirement of the final Outstanding Bonds, the final installment payment shall equal 100% of the Rebate Amount for the final Computation Period and such final installment shall be paid to the United States.

4. The Rebate Amount shall be calculated within thirty (30) days of the end of the first Rebate Bond Period, within thirty (30) days of the end of each subsequent Rebate Bond Period, and within sixty (60) days of the retirement of all of the Bonds. Any required deposits into the Rebate Account shall be made within the 30-day or 60-day period, as the case may be.

5. If, during any Computation Period, the Rebate Amount is less than the amounts previously paid to the United States, such a deficit may not be recovered from amounts previously paid to the United States.

6. The aggregate amount earned in any of the funds or accounts described in Section 12(A)(1)(a) must include all income realized under federal income tax accounting principles (whether or not the income is subject to federal income taxation) with respect to any obligation and with respect to the reinvestment of investment receipts from such obligations. Transaction costs incurred in acquiring, carrying, selling or redeeming such obligations may not be offset in determining the aggregate amount earned. If any investments are retained after retirement of all obligation of the Bonds, any unrealized gain or loss as of such retirement date must be taken into account in determining aggregate earnings. Gain or loss must be computed with reference to the fair market value of an obligation or security on the date that it is deposited to any such fund or account created hereunder.

7. The City hereby covenants and agrees to make payments of the Rebate Amount to the United States in a manner other than as described in this Section 12 if necessary to comply with the Code.

Section 13: BOND COVENANTS

A. The City covenants at all times to maintain, preserve and keep the properties of the Wastewater System in good repair, working order and condition and will from time to time make all necessary and proper repairs, renewals, replacements, extensions and betterments thereto, so that at all times the operations carried on in connection therewith will be properly and advantageously conducted, and the City will at all times operate or cause to be operated the properties of the Wastewater System and the operations in connection therewith in an efficient manner and at a reasonable cost.

B. The City covenants to fix, maintain and collect rates and charges for the use of the services and facilities and all wastewater sold, furnished or supplied by the Wastewater System and the City shall adjust such rates and charges from time to time so that:

(1) the Revenue of the Wastewater System derived therefrom, will at all times be sufficient (a) to pay the Costs of Maintenance and Operation, (b) to make any payments required to be made on account of the Bonds and any Additional Bonds as and when the same shall become due and payable, (c) to make when due all payments which the City is obligated to make into the Reserve Account and all other payments which the City is obligated to make pursuant to this Ordinance, and (d) to pay all governmental charges lawfully imposed on the Wastewater System or the revenue therefrom and any and all other amounts which the City may now or hereafter become obligated to pay from the Revenue of the Wastewater System by law or contract; and

(2) the Net Revenue in each fiscal year shall equal at least 1.25 times such year's Annual Debt Service on the Bonds and the Additional Bonds then Outstanding.

C. The City will not sell, lease, or otherwise dispose of the Wastewater System in its entirety unless it obtains an opinion of nationally recognized bond counsel that such sale, lease or other disposition will not have an adverse effect on the exemption of the interest on the Bonds and any Additional Bonds from gross income under Section 103 of the Code and unless simultaneously with such sale, lease or other disposition a provision is made for payment into the Debt Service Activity of cash or Government Obligations sufficient (taking into account interest to be earned on any such cash and Government Obligations) to pay the principal of and interest on then Outstanding Bonds and Additional Bonds, nor will it sell, lease or otherwise dispose of any part of the useful operating properties of the Wastewater System unless such facilities are replaced or provision

is made for payment into the Debt Service Activity of the greatest of the following:

(1) An amount which will be in the same proportion to the net amount of the Bonds and Additional Bonds then Outstanding (defined as the total principal amount of the Bonds and Additional Bonds less the amount of cash and investments in the Debt Service Activity) that the revenue from the portion of the Wastewater System sold or disposed of for the preceding year bears to the total Revenue of the Wastewater System for such period; or

(2) An amount which will be in the same proportion to the net amount of the Bonds and Additional Bonds then outstanding (as defined above) that the Net Revenue from the portion of the Wastewater System sold or disposed of for the preceding year bears to the total Net Revenue for such period; or

(3) An amount which will be in the same proportion to the net amount of the Bonds and Additional Bonds then Outstanding (as defined above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire Wastewater System immediately prior to such sale or disposition.

The proceeds of any such sale or disposition of a portion of the properties and facilities of the Wastewater System (to the extent permitted above) shall be paid into the Debt Service Activity.

Notwithstanding any other provision of this paragraph, the City may sell or otherwise dispose of any of the works, plant, properties and facilities of the Wastewater System or any real or personal property comprising a part of the same which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Wastewater System, or no longer necessary, material to or useful in such operation, without making any deposit into the Debt Service Activity.

D. The City will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the Wastewater System or the Revenue of the Wastewater System, or any part thereof, other than reasonable Costs of Maintenance and Operation, prior or superior to the lien thereon for the payment of the Bonds and any Additional Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Revenue of the Wastewater System, or any part thereof, prior to or superior to the lien of the Bonds and any Additional Bonds, or which might impair the security of the Bonds and any Additional Bonds.

E. The City will keep the works, plants and facilities comprising the Wastewater System insured, and will carry such other

insurance with responsible insurers, with policies payable to the City, against risks, accidents or casualties, at least to the extent that insurance is usually carried by municipal corporations operating like properties, or will implement a self-insurance program with reserves adequate, in the judgment of the City, to protect the City and the Registered Owners of the Bonds against loss. In the event of any loss or damage, the City will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy for that purpose; or in the event the City should determine not to repair or reconstruct such damaged portion of the properties of the Wastewater System, the proceeds of such insurance shall be paid into the Reserve Account to the extent that such transfer shall be necessary to make up any deficiency in the Reserve Account and the balance, if any, at the option of the City shall be used either for repairs, renewals, replacements, or capital additions to the Wastewater System, for the redemption of the Bonds or Additional Bonds, or for any required deposits into the Reserve Account.

F. The City shall keep proper books of account which shall be kept in accordance with any applicable rules, regulations and statutes prescribed by the State of Oregon. The City shall prepare, and any Registered Owner of the Bonds may obtain copies of the balance sheets and profit and loss statements showing in reasonable detail the financial condition of the Wastewater System as of the close of each year, including the amounts paid into the Wastewater Account, the Debt Service Activity, and into any other funds or account created pursuant to the provisions of this Ordinance, and the amounts expended for maintenance, renewals, replacements and capital additions to the Wastewater System.

G. The City shall comply with the provisions of this Section 13(G), unless, in the written opinion of nationally recognized bond counsel to the City that such compliance is not required in order to maintain the exemption of the interest on the Bonds and any Additional Bonds from federal income taxation.

The City covenants as follows:

(1) that it will not make any use of the proceeds of the Bonds or other funds of the City which may be deemed to be proceeds of such Bonds pursuant to Section 148 (or any successor section) of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of such Code Section. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) throughout the term of the Bonds; and

(2) that it will comply with the registration requirements of Section 149(a) (or any successor section of the Code) so long as any of the Bonds are outstanding; and

(3) that it will not take any action or permit any action to be taken that would cause the Bonds to constitute "private activity bonds" under Section 141 (or any successor section) of the Code.

Section 14: ISSUANCE OF ADDITIONAL BONDS

The City covenants and agrees for as long as any of the Bonds and any Additional Bonds are outstanding as follows:

The City will not issue any bonds or other obligations having a greater or equal priority of lien upon the Revenue of the Wastewater System or secure the payment of the principal of and interest on such bonds or other obligations by a lien created on such Revenue of equal priority to the lien securing the payment of the principal of and interest on the Bonds and any Additional Bonds except as follows:

A. The City reserves the right to issue Additional Bonds for the purposes of:

First, providing funds to acquire, construct, reconstruct, install, or replace any equipment, facilities, additions, betterments, or other capital improvements to the Wastewater System for which it is authorized by law to issue revenue bonds, or

Second, refunding at or prior to their maturity, any outstanding revenue bonds or other obligations payable from the Revenue of the Wastewater System, and to pledge that payments will be made out of the Revenue of the Wastewater System and into the Debt Service Activity to pay and secure the payment of the principal of and interest on such Additional Bonds on a parity with the payments required herein to be made out of such Revenue of the Wastewater System into such Funds and to pay and secure the payment of the principal of and interest on any Bonds then Outstanding only if, at the time of the issuance of any Additional Bonds there is no deficiency in the Debt Service Activity or the Reserve Account; and upon compliance with the following conditions:

(1) The principal of and interest on the Additional Bonds shall be payable out of the Debt Service Activity and the requirements for Reserve Account payments in Section 12 hereof shall be met.

(2) Prior to the delivery of any Additional Bonds, the City shall have on file in the office of the City Administrator or the Finance Director a certificate of a professional engineer or certified public accountant which may be the City Engineer or the City Finance Director, dated not earlier than 90 days prior to the date of delivery of such Additional Bonds, showing that the Net Revenue determined and adjusted as hereafter provided for each calendar or fiscal year after the issuance of such Additional Bonds (the "Adjusted Net Revenue")

will equal at least 1.25 times the amount required in any such year for the payment of the principal of and interest on the Bonds and Additional Bonds then outstanding, including the Additional Bonds proposed to be issued. With respect to any term bonds, the payment of which is provided for by a mandatory schedule of sinking fund deposits into the Debt Service Activity, the words "principal of and interest on all the Bonds and Additional Bonds" in the preceding sentence shall be deemed to exclude from "principal" the term bond maturity payment, and from "interest" the interest on such term bonds subsequent to the date of each respective mandatory sinking fund deposit, and to include in lieu thereof the mandatory sinking fund deposits as of the date required and interest on term bonds provided for by such deposits only to the dates of the respective deposits.

The Adjusted Net Revenue shall be the Net Revenue for a period of any twelve (12) consecutive months out of the twenty-four (24) months immediately preceding the date of delivery of such proposed Additional Bonds as adjusted by such engineer or accountant to take into consideration changes in Net Revenue estimated to occur under one or more of the following conditions for each year after such delivery for so long as any Bonds and Additional Bonds, including the proposed Additional Bonds to be issued, shall be Outstanding:

(i) any increase or decrease in Net Revenue which would result if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such twelve (12) month period had been in force during the full twelve (12) month period;

(ii) any increase or decrease in Net Revenue estimated by such engineer or accountant to result from any additions, betterments and improvements to and extensions of any facilities of the Wastewater System which (a) became fully operational during such twelve (12) month period, (b) were under construction at the time of such certificate, or (c) will be constructed from the proceeds of the Additional Bonds to be issued; and/or

(iii) the additional Net Revenue which would have been received if any customers added to the Wastewater System prior to the date of such certificate and subsequent to the beginning of such twelve (12) month period were customers for the entire period.

Such engineer or accountant shall base the certification upon, and the certificate shall have attached thereto, audited financial statements of the Wastewater System (unless such an audit is not available for a twelve-month period within the preceding twenty-four months), then the financial statements shall be certified by the Finance Director of the City, showing income and expenses for the period.

The certificate of such engineer or accountant shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this subsection A.

B. Nothing herein contained shall prevent the City from issuing revenue bonds or other obligations which are a charge upon the Revenue of the Wastewater System junior or inferior to the payments required by this Ordinance to be from such revenue into the Debt Service Activity to pay and secure the payment of the Bonds and any Additional Bonds.

C. Nothing herein contained shall prevent the City from issuing revenue bonds to refund the Bonds or Additional Bonds for the payment of which moneys are not otherwise available.

Section 15: AMENDMENTS

A. The Council from time to time and at any time may adopt an ordinance or ordinances supplemental hereto shall become a part of this Ordinance, for any one or more of all of the following purposes:

(1) To add to the covenants and agreements of the City in this Ordinance, other covenants and agreements thereafter to be observed which shall not adversely affect the interests of the Registered Owners of the Bonds, or to surrender any right or power herein reserved.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this Ordinance or any ordinance authorizing Additional Bonds or junior lien bonds in regard to matters or questions arising under such ordinances as the Council may deem necessary or desirable and not inconsistent with such ordinances and which shall not adversely affect the interest of the Registered Owners of the Bonds.

Any such supplemental ordinance may be adopted without the consent of the Registered Owners of the Bonds at any time Outstanding, notwithstanding any of the provisions of subsection B of this Section 15.

B. With the consent of the Registered Owners of not less than 65% in aggregate principal amount of the Bonds at the time Outstanding, the Council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of this Ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall:

(1) Extend the fixed maturity of any Bonds or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal

thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected; or

(2) Reduce the aforesaid percentage of Registered Owners of a Bond or Bonds required to approve any such supplemental ordinance, without the consent of the Registered Owners of all of the Bonds then Outstanding.

It shall not be necessary for the consent of Registered Owners of the Bonds under this subsection B to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

C. Upon the adoption of any supplemental ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance and all Registered Owners of the Bonds Outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such supplemental Ordinance shall be deemed to be part of the terms and conditions of this Ordinance for any and all purposes.

D. Bonds executed and delivered after the execution of any supplemental ordinance adopted pursuant to the provisions of this Section may have a notation as to any matter provided for in such supplemental ordinance, and if such supplemental ordinance shall so provide, new bonds so modified as to conform to any modification of this Ordinance contained in any such supplemental ordinance, may be prepared and delivered without cost to the Registered Owners of any affected Bonds then Outstanding, upon surrender for cancellation of the Bonds being replaced in equal aggregate principal amounts.

Section 16. DEFEASANCE OF BONDS.

In the event that cash and Government Obligations, maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in such amounts as are sufficient (together with any resulting cash balances) to redeem and retire part or all of the Bonds in accordance with their terms, are irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Debt Service Activity or any fund therein for the payment of the principal of and interest on the certain Bonds so provided for, and such Bonds and interest accrued thereon shall then cease to be entitled to any lien, benefit or security of this Ordinance, except the right to receive the funds so set aside and pledged, and such Bonds and interest accrued thereon shall no longer be deemed to be Outstanding hereunder.

Section 17: LOST, STOLEN, MUTILATED OR DESTROYED BONDS.

In case any Bond shall be lost, stolen, mutilated or destroyed, the Bond Registrar may authenticate and deliver a new Bond of like date, denomination, number, tenor and effect to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Bond Registrar in connection therewith and upon filing with the Bond Registrar and the City evidence satisfactory to the Bond Registrar and the City that such Bond was lost, stolen or destroyed and of ownership thereof, and upon furnishing the Bond Registrar and the City with indemnity satisfactory to the Bond Registrar and the City.

Section 18: TRANSFER OR EXCHANGE OF BONDS

Subject to the provisions of Section 3(C) herein, any Bond shall be transferable by the Registered Owner thereof in person, or by his attorney duly authorized in writing, upon surrender of such Bond at the principal corporate trust office of the Bond Registrar for cancellation and issuance of a new Bond registered in the name of the transferee, in exchange therefor.

Any Bond shall be exchangeable for Bonds of any authorized denomination or denominations, upon surrender and cancellation of the Bond at the principal corporate trust office of the Bond Registrar.

Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Bond Registrar shall authenticate and deliver to the transferee or exchangee, in exchange therefor, a new fully registered Bond or Bonds of any authorized denomination or denominations, of the same maturity and interest rate, and for the aggregate principal amount of such Bond or Bonds being surrendered. The Bond Registrar shall not be required to transfer or exchange any Bond after the close of business on the fifteenth (15th) day of the month preceding any interest payment date or any Bond or Bonds called or being called for redemption.

The Bond Registrar shall require the payment by the Registered Owner requesting such transfer or exchange of any tax, fee or governmental charge required to be paid with respect to such transfer or exchange. The costs imposed by the Bond Registrar for such transfer or exchange shall be deemed to be a Cost of the Projects to be payable by the City.

Section 19. COVENANT AS TO ARBITRAGE. The proceeds of the Bonds shall be used and invested in such manner that the Bond shall not become "arbitrage bonds" within the meaning of the Code. The City covenants that, within its lawful powers, it will not do, and will refrain from doing, anything in the issuance of the Bonds and in the investment and expenditure of the proceeds thereof, which would result in the interest on the Bonds becoming taxable for federal income tax purposes.

Section 20. DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS. hereby designates the Bonds for purposes of paragraph (3) of Section 265(b) of the Code as "qualified tax-exempt obligations" and covenants that the Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations, the interest on which is for federal income tax purposes (excluding, however, private activity bonds other than qualified 501(c)(3) bonds) including the Bonds, have been or shall be issued by the City, including all subordinate entities of the City, if any, during the calendar year 1990.

Section 21. REBATE EXCEPTION FOR SMALL GOVERNMENTAL UNITS. The Council finds and determines that the Bonds comply with the statutory requirements of Section 148(f)(4)(C) of the Code in that the City is a governmental unit having general taxing powers, the Bonds are not being issued for a private activity purpose, more than 95% of the net proceeds of the Bonds will be used for local governmental activities of the City, and the aggregate face amount of all tax-exempt obligations which will be issued by the City during the calendar year 1990 is not reasonably expected to exceed \$5,000,000.

Section 22: APPOINTMENT OF INDEPENDENT EXPERT.

The City does appoint and retain Moore, Breithaupt & Associates as an independent expert to advise the City as to the terms, conditions and pricing of the private negotiated sale pursuant to the provisions of Oregon Revised Statutes 288.845.

Section 23: APPOINTMENT OF BOND COUNSEL.

The law firm of Rankin VavRosky Doherty MacColl & Mersereau of Portland, Oregon has been appointed Bond Counsel for the issuance of the Bonds.

Section 24: SALE OF BONDS AUTHORIZED

The private negotiated sale of the Bonds to Seattle-Northwest Securities Corporation (the "Underwriter"), of Portland, Oregon is hereby authorized and approved. The Council is of the opinion that it is in the best interests of the City and the public to sell the Bonds by private negotiated sale, as authorized by Oregon Revised Statutes 288.835. The Underwriter shall deposit with the Bond Purchase Agreement a good faith deposit equal to 2% of the par value of the Bonds in compliance with the provisions of Oregon Revised Statutes 288.905.

The Mayor, the City Administrator or the Finance Director are hereby authorized and directed to execute the Bond Purchase Agreement on behalf of the City to be attested by the City Recorder. The Mayor, the City Administrator or the Finance Director are authorized to execute for and on behalf of the City such documents as are necessary for the prompt execution and delivery of the Bonds to the Underwriter

and for the proper application and use of the proceeds of the Bond sale.

Section 25: PRELIMINARY OFFICIAL STATEMENT APPROVED

The Preliminary Official Statement relating to the Bonds, in the form presented to the City Recorder is deemed to be in "near final" form for purposes of SEC Rule 15c2-12(b)(1) and is hereby approved.

The Mayor, City Administrator or the Finance Director are authorized to execute the Final Official Statement with such changes from the Preliminary Official Statement that are required so that it does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or, in the alternative, the Mayor, City Administrator or the Finance Director are authorized and directed to execute a certificate to that effect.

Section 26: RATIFICATION

All actions (not inconsistent with the provisions of this Ordinance) heretofore taken by the Council, and its employees, with respect to the acquisition, construction and installation of the Projects, and the issuance, sale and delivery of the Bonds, are hereby in all respects ratified, approved, and confirmed.

Section 27: SEVERABILITY

If any one or more of the covenants, terms or agreements provided in this Ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such provisions shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Ordinance and shall not affect the validity of the other provisions of this Ordinance or of the Bonds.

Section 28: DECLARATION OF EMERGENCY; EFFECTIVE DATE OF THIS ORDINANCE.

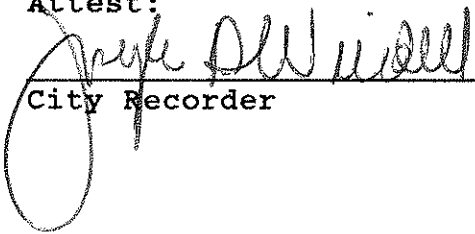
It is hereby determined to be in the best interest of the people of the City of Lebanon to proceed promptly with the sale and delivery of the Bonds in order that current market interest rates may be obtained. Therefore, an emergency is hereby declared to exist and this Ordinance shall take effect immediately upon adoption by the Council and approval by the Mayor.

Ayes 4 Nays 0 Abstain 0

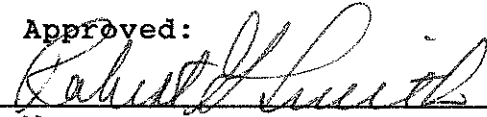
Approved by the Mayor this 25th day of June, 1990.

Attest:

Approved:



City Recorder



Mayor

Refer to reverse side [Face of Bond)
for Additional Provisions

UNITED STATES OF AMERICA STATE OF OREGON
COUNTY OF LINN
CITY OF LEBANON
WASTEWATER REVENUE BOND, SERIES 1990
(CURRENT INTEREST BOND)

Number R-

Dated: June 1, 1990 Rate of Interest: % Per Annum Maturity Date: CUSIP_____

Registered Owner

Principal Amount Dollars

The City of Lebanon, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the registered owner, or registered assigns, on the maturity date, the principal amount and to pay interest thereon from the date of this Bond, or from the most recent interest payment date to which interest has been paid, at the rate of interest per annum set forth above on the first day of June and the first day of December of each year commencing December 1, 1990 until the principal amount is paid either at maturity or upon prior redemption.

The principal of this Bond is payable in lawful money of the United States of America upon presentation at the principal corporate trust office of the First Interstate Bank of Oregon, N.A., in Portland, Oregon, as Paying Agent and Bond Registrar. Payment of each installment of interest shall be made to the registered owner hereof whose name appears on the registration books of the City maintained by the Paying Agent as of the close of business on the fifteenth (15th) day of the month next preceding any interest payment date. Interest payments shall be paid by the check of the Paying Agent mailed by the Paying Agent on the interest payment date to the registered owner at the address as it appears on the registration books. The Bond Registrar shall not be required to (1) transfer or exchange any Bond after the close of business on the fifteenth (15th) day of the month next preceding any interest payment date, or (2) transfer or exchange any Bond called or being called for redemption.

REFERENCE IS HEREBY MADE TO THE ADDITIONAL PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF, AND SUCH ADDITIONAL PROVISIONS SHALL HAVE THE SAME EFFECT AS IF FULLY SET FORTH HERE.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in the form and manner required by the Constitution and statutes of the State of Oregon and by the Charter of

the City, and that this Bond, together with all other indebtedness of the City, does not exceed any limitation prescribed by law.

The Bonds are not a general obligation of the City. The Bonds are secured by and payable solely from the net revenues of the Wastewater System, after payment of the costs of maintenance and operations of the Wastewater System. The City shall fix rates and collect charges for wastewater services adequate to provide sufficient wastewater revenues to pay, in addition to all other expenses and obligated indebtedness, the principal of and interest on the Bonds. The Bonds are valid and legally binding special obligations of the City and are authorized pursuant to Oregon Revised Statutes 288.805 through 288.945, the Charter of the City and Ordinance No. 2076 enacted by the Council on June 25, 1990.

This Bond shall not be valid or become obligatory until the Certificate of Authentication hereon shall have been signed by the Bond Registrar.

IN WITNESS WHEREOF, the City has caused this Bond to be executed by the facsimile signature of its Mayor and attested by the facsimile signature of the City Recorder as of the first day of June, 1990.

CITY OF LEBANON, OREGON

Mayor

ATTEST:

City Recorder

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This Bond is one of the City of Lebanon Wastewater Revenue Bonds, Series 1990 (Current Interest Bonds), dated as of June 1, 1990, and described in the withinmentioned Ordinance.

FIRST INTERSTATE BANK OF OREGON, N.A.
as Bond Registrar

By _____
Authorized Officer

[Reverse Side of 1990 Current Interest Bond]

ADDITIONAL PROVISIONS

This Bond is one of an authorized issue of Bonds of like tenor and effect, except for variations required to state denominations, numbers, interest rates, and dates of maturity, aggregating the original issue amount of \$4,508,869.95, with a value at maturity of \$5,180,000. The Bonds are issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, provided that no single Bond shall represent more than one maturity, and are limited obligations of the City payable solely from the Debt Service Activity. For a more particular description of the Debt Service Activity, the revenues to be deposited therein, and the nature and extent of the security afforded thereby, reference is made to the provisions of the aforementioned Ordinance. This Bond is not a general obligation of the City, and its full faith and credit are not pledged for payment of the principal thereof and interest thereon. Interest on the Current Interest Bonds is payable semi-annually and the accreted interest on Deferred Interest Bonds is payable at maturity.

The Bonds constitute a prior lien and charge upon the Net Revenue of the Wastewater System (as defined in the Bond Ordinance) superior to all other charges of any kind or nature, except Costs of Maintenance and Operation (as defined in the Bond Ordinance) and are equal to and on a parity of lien with any Additional Bonds on the pledged Net Revenues as more fully described in the Ordinance.

The Bonds are issued by the City pursuant to and in full compliance with the Constitution and laws of the State of Oregon, particularly Oregon Revised Statutes 288.805 to 288.945, inclusive, and the Charter of the City and proceedings duly adopted and authorized by the Council of the City, more particularly the Ordinance, for the purpose of financing, in part, certain additions and improvements to the City's Wastewater System (the "Wastewater System"), as specified in the Ordinance.

The Bonds maturing in the year 2000 is not subject to redemption prior to its stated date of maturity. The City has reserved the right, at its option, to redeem and call the Bonds maturing on or after June 1, 2001, prior to their stated maturities, on June 1, 2000 or on any interest payment date thereafter, in whole, or in part, (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar shall determine), at 100% of the principal amount thereof plus accrued interest to the date of redemption in the case of Current Interest Bonds and the accreted value at the redemption date in the case of Deferred Interest Bonds.

The Bonds are also subject to redemption prior to their respective stated maturities, in part, by lot, from mandatory sinking fund payments as set forth below, any such redemption to be at a price

equal to 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Payment
for Bonds due June 1, 2000

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1991	\$ 75,000	1996	\$ 95,000
1992	80,000	1997	100,000
1993	85,000	1998	105,000
1994	-0-	1999	115,000
1995	85,000	2000	120,000

Mandatory Sinking Fund Payment
for Bonds due June 1, 2005

2001	\$130,000
2002	140,000
2003	150,000
2004	160,000
2005	175,000

Mandatory Sinking Account Payment
for Bonds Due June 1, 2020

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
June 1, 2011	\$190,000	June 1, 2016	\$270,000
June 1, 2012	200,000	June 1, 2017	290,000
June 1, 2013	215,000	June 1, 2018	310,000
June 1, 2014	230,000	June 1, 2019	330,000
June 1, 2015	250,000	June 1, 2020	355,000

Notice of any such redemption shall be given not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of each Bond to be redeemed, at the address appearing on the Bond Register. The notice requirements shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether it is actually received by the Registered Owner of any Bond. Interest on any Bonds so called for redemption shall cease to accrue or accrete interest on the date fixed for redemption, unless such Bond or Bonds so called are not redeemed upon presentation made pursuant to such call.

The City has covenanted and agreed with the Registered Owners of the Bonds that it will keep and perform all of the covenants of this Bond and of the Ordinance to be by it kept and performed. The City has covenanted to maintain the Wastewater System in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to fix, maintain and collect rates and charges for service furnished by or through the Wastewater System, sufficient

in amount, for as long as any of the Bonds of this issue are outstanding, to make available from the Revenue of the Wastewater System, after Costs of Maintenance and Operation, all amounts required to be paid into the Debt Service Activity in any year hereafter to pay the principal of and interest on the Bonds and any Additional Bonds.

This Bond is transferable or exchangeable by the Registered Owner hereof in person or by his attorney duly authorized in writing upon presentation and surrender of this Bond at the principal corporate trust office of the Bond Registrar. Upon such transfer or exchange, a new Bond or Bonds of authorized denominations, of the same maturity and interest rate, and for the same aggregate principal amount will be issued to the transferee or exchangee, in exchange therefor.

The City and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payments of principal hereof and interest due hereon and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

The covenants contained herein and in the Ordinance may be discharged by making provision, at any time, for the payment of the principal of and interest on this Bond in the manner provided in the Ordinance.

Refer to reverse side [Face of Bond)
for Additional Provisions

UNITED STATES OF AMERICA STATE OF OREGON
COUNTY OF LINN
CITY OF LEBANON
WASTEWATER REVENUE BOND, SERIES 1990
(DEFERRED INTEREST BOND)

Number R-

Approximate Yield
Dated: June 29, 1990 at Maturity: % Per Annum Maturity Date: CUSIP_____

Registered Owner

VALUE AT MATURITY Dollars

The City of Lebanon, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the registered owner, or registered assigns, on the maturity date, the value at maturity shown above.

The principal of and accreted interest with respect to this Bond is payable in lawful money of the United States of America upon presentation at the principal corporate trust office of the First Interstate Bank of Oregon, N.A., in Portland, Oregon, as Paying Agent and Bond Registrar. The Bond Registrar shall not be required to (1) transfer or exchange any Bond after the close of business on the fifteenth (15th) day of the month next preceding any interest payment date, or (2) transfer or exchange any Bond called or being called for redemption.

REFERENCE IS HEREBY MADE TO THE ADDITIONAL PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF, AND SUCH ADDITIONAL PROVISIONS SHALL HAVE THE SAME EFFECT AS IF FULLY SET FORTH HERE.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in the form and manner required by the Constitution and statutes of the State of Oregon and by the Charter of the City, and that this Bond, together with all other indebtedness of the City, does not exceed any limitation prescribed by law.

The Bonds are not a general obligation of the City. The Bonds are secured by and payable solely from the net revenues of the Wastewater System, after payment of the costs of maintenance and operations of the Wastewater System. The City shall fix rates and collect charges for wastewater services adequate to provide sufficient wastewater revenues to pay, in addition to all other expenses and obligated indebtedness, the principal of and interest on the Bonds. The Bonds are valid and legally binding special obligations of the City and are authorized pursuant to Oregon Revised Statutes 288.805 through

288.945, the Charter of the City and Ordinance No. 2076 enacted by the Council on June 25, 1990.

This Bond shall not be valid or become obligatory until the Certificate of Authentication hereon shall have been signed by the Bond Registrar.

IN WITNESS WHEREOF, the City has caused this Bond to be executed by the facsimile signature of its Mayor and attested by the facsimile signature of the City Recorder as of the 29th day of June, 1990.

CITY OF LEBANON, OREGON

Mayor

ATTEST:

City Recorder

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This Bond is one of the City of Lebanon Wastewater Revenue Bonds, Series 1990 (Deferred Interest Bonds), dated as of June 29, 1990, and described in the withinmentioned Ordinance.

FIRST INTERSTATE BANK OF OREGON, N.A.
as Bond Registrar

By _____
Authorized Officer

[Reverse Side of 1990 Deferred Interest Bond]

ADDITIONAL PROVISIONS

This Bond is one of an authorized issue of Bonds of like tenor and effect, except for variations required to state denominations, numbers, interest rates, and dates of maturity, aggregating the original issue amount of \$4,508,869.95, with a value at maturity of \$5,180,000. The Bonds are issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, provided that no single Bond shall represent more than one maturity, and are limited obligations of the City payable solely from the Debt Service Activity. For a more particular description of the Debt Service Activity, the revenues to be deposited therein, and the nature and extent of the security afforded thereby, reference is made to the provisions of the aforementioned Ordinance. This Bond is not a general obligation of the City, and its full faith and credit are not pledged for payment of the principal thereof and interest thereon. Interest on the Current Interest Bonds is payable semi-annually and the accreted interest on Deferred Interest Bonds is payable at maturity.

The Bonds constitute a prior lien and charge upon the Net Revenue of the Wastewater System (as defined in the Bond Ordinance) superior to all other charges of any kind or nature, except Costs of Maintenance and Operation (as defined in the Bond Ordinance) and are equal to and on a parity of lien with any Additional Bonds on the pledged Net Revenues as more fully described in the Ordinance.

The Bonds are issued by the City pursuant to and in full compliance with the Constitution and laws of the State of Oregon, particularly Oregon Revised Statutes 288.805 to 288.945, inclusive, and the Charter of the City and proceedings duly adopted and authorized by the Council of the City, more particularly the Ordinance, for the purpose of financing, in part, certain additional and improvements to the City's Wastewater System (the "Wastewater System"), as specified in the Ordinance.

The Bonds maturing in the year 2000 is not subject to redemption prior to its stated date of maturity. The City has reserved the right, at its option, to redeem and call the Bonds maturing on or after June 1, 2001, prior to their stated maturities, on June 1, 2000 or on any interest payment date thereafter, in whole, or in part, (maturities to be selected by the City and by lot within a maturity in such manner as the Bond Registrar shall determine), at 100% of the principal amount thereof plus accrued interest to the date of redemption in the case of Current Interest Bonds and the accreted value at the redemption date in the case of Deferred Interest Bonds.

Notice of any such redemption shall be given not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of each Bond to be redeemed, at the address appearing on the Bond

Register. The notice requirements shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether it is actually received by the Registered Owner of any Bond. Interest on any Bonds so called for redemption shall cease to accrue or accrete interest on the date fixed for redemption, unless such Bond or Bonds so called are not redeemed upon presentation made pursuant to such call.

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This Bond is transferable or exchangeable by the Registered Owner hereof in person or by his attorney duly authorized in writing upon presentation and surrender of this Bond at the principal corporate trust office of the Bond Registrar. Upon such transfer or exchange, a new Bond or Bonds of authorized denominations, of the same maturity and interest rate, and for the same aggregate principal amount will be issued to the transferee or exchangee, in exchange therefor.

The City and the Bond Registrar may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payments of principal hereof and interest due hereon and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

The covenants contained herein and in the Ordinance may be discharged by making provision, at any time, for the payment of the principal of and interest on this Bond in the manner provided in the Ordinance.