

PAYING AGENT AND REGISTRAR AGREEMENT

THIS PAYING AGENT AND REGISTRAR AGREEMENT, dated as of the 4th day of June, 1997 between CITY OF NEWBERG, OREGON (the "Issuer") and FIRST TRUST NATIONAL ASSOCIATION, Portland, Oregon office, ("First Trust").

WITNESSETH

The Issuer intends to issue its Securities described as follows:

Name of Issue: City of Newberg Limited Tax Obligation Improvement Bonds
1997 Series One

Date of Issue: June 4, 1997

Total Issue: \$384,000

Interest Payment Dates: June 1 and December 1, beginning December 1, 1997

The Issuer desires to appoint First Trust as paying agent, transfer agent, authenticating agent and registrar for the purposes of performing services for the payment of principal and interest on the Securities issued or to be issued by the Issuer and for First Trust to act as registrar of the Securities and to transfer and exchange the Securities, and First Trust desires to render the services in its capacity as paying agent, transfer agent, authenticating agent and registrar.

NOW, THEREFORE, the Issuer and First Trust agree as follows:

1. The Issuer shall remit, or cause to be remitted, to First Trust, in immediately available and collected funds, the full amount necessary to pay the interest on the Securities due on each of the related interest dates at least 1 day prior to the respective interest payment dates, and the full amount necessary to pay the principal of the Securities due on each of the related maturity or redemption dates at least 1 day prior to the stated maturity or earlier redemption date. First Trust is authorized to pay from monies so deposited with it the principal of and interest on the Securities to the registered owner of the Securities whose name and address appears on the registration books of the Issuer maintained by First Trust. At the time of the Closing, Securities are Book Entry Only registered in the name of Cede & Co.. Interest and principal on the Book Entry Only Securities shall be payable by wire to the registered owner of the Securities at the address appearing on the registration books maintained by First Trust. The duty of First Trust for the payment of the principal of and interest on the Securities shall be to receive funds for payment therefor, and to pay from funds so deposited with it the interest on the Securities and principal of the Securities when due and presented for payment. Under no circumstances shall First Trust be obligated to make principal and/or interest payments next due unless and until the Issuer has caused to be delivered to First Trust, in immediately available funds, the full amount of Principal and/or interest next due. In the event a principal and/or interest payment date is not a business day, First Trust shall make the principal and/or interest payment on the following business day.

2. Monies deposited with First Trust prior to the payment date for payment of principal of and interest on the Securities shall be held by First Trust in a First Trust paying agency account. If any of the Securities are not presented for payment when due, and funds sufficient to pay such Security shall have been paid to First Trust, First Trust shall hold such funds for the benefit of the registered owner of the Securities, without liability for interest thereon. Any monies held by First Trust for such payment after five years from the due date thereof shall be paid by First Trust to the Issuer and the registered owner of the Securities shall thereafter seek payment only from the Issuer.

3. All matured and fully paid Securities shall be canceled by First Trust and, unless otherwise directed in writing by the Issuer, destroyed. A Certificate of Destruction evidencing the destruction of the Securities shall be furnished to the Issuer.

4. If applicable, the Issuer shall furnish to First Trust a sufficient supply of blank certificates for the Securities in appropriate form acceptable to First Trust, and, from time to time, will renew such supply upon the request of First Trust. Such blank certificates shall be signed manually or by facsimile by the officials of the Issuer duly authorized to sign certificates for the Issuer.

5. Upon appropriate instructions received by First Trust from the underwriter, or the Securities purchaser or the Issuer, and the receipt of a sufficient supply of the original supply of blank certificates for the Securities, First Trust shall complete the Securities as to registered owner, denomination, and such other matters as so directed. First Trust shall authenticate the Securities upon request by the Issuer and shall deliver the Securities in accordance with the instructions of the Issuer.

6. First Trust shall maintain for the Issuer appropriate registration books for the registration of the Securities and the registration of transfer and exchange of the Securities. Transfer and exchange of the Securities shall be registered and new certificates issued upon surrender of the outstanding certificates if the Securities are duly endorsed by, or accompanied by a written instrument or instruments of transfer in a form satisfactory to First Trust duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, together with a guarantee of the signature satisfactory to First Trust and such other documentation as First Trust may reasonably require.

7. First Trust shall comply with the terms and conditions of Oregon Administrative Rule 170-61-010 issued by the Municipal Debt Advisory Commission as attached to this Paying Agent and Registrar Agreement as Exhibit "A" and by this reference incorporated herein.

8. First Trust may rely upon the documents of the Issuer authorizing the Securities and upon the Uniform Commercial Code of the State of Oregon or any other statutes which, in the opinion of counsel for First Trust, to protect First Trust and the Issuer without requiring complete documentation, or in registering transfers without inquiry into adverse claims, or in the transfer or registration of Securities standing in the name of the decedent in small estates where no administration is contemplated and documentation furnished conforms with the laws of the descendant's domicile, or in refusing registration where, in the judgment of First Trust, an adverse claim requires such refusal. First Trust reserves the right to refuse to transfer Securities until it is satisfied that the requested transfer is legally authorized; and shall incur no liability for a good faith refusal to make a transfer, which it, in its sole

judgment deems improper or unauthorized. First Trust shall not be obligated to register any transfer of Securities after the record date fixed for any redemption of such Securities.

9. First Trust shall pay interest as is due on each stated interest payment date, with the funds received from the Issuer, to the registered owners of the Bonds as of the close of business on the 15th day (whether or not a business day) of the preceding month, at their addresses as they appear on the bond register; if the Issuer provides First Trust with sufficient funds to make such payment prior to any interest payment date, First Trust shall wire or mail such checks or drafts at the close of business on the last business day preceding such interest payment date. First Trust shall pay the principal of the Securities as is due on the stated payment dates, with the funds received by the Issuer, upon surrender of the Securities to the corporate trust office for payment. "Principal Corporate Trust Office" or "corporate trust office" means the principal corporate trust office of the Paying Agent in the State of Oregon at 1000 S.W. Broadway, Suite 1750, Portland, Oregon 97205, Attention: First Trust (except with respect to payments on the Securities and any exchange, transfer or other surrender of the Securities, in which case c/o First Trust National Association, 180 Fifth Street, St. Paul, Minnesota 55101), or such other or additional offices as may be designated by the Paying Agent.

10. As applicable in connection with mandatory Securities redemptions that are scheduled and fixed in amount under the documents authorizing issuance of the Securities or upon timely receipt of written notification from the Issuer of any other Securities redemption, together with a certified copy of the authorizing resolution, if any, First Trust shall send notice of redemption by first class mail to the registered owner of any Securities to be redeemed not more than (60) days and not less than thirty (30) days prior to the redemption date. Wherever necessary, First Trust will comply with the minimum standards endorsed by the Securities and Exchange Commission for securities redemption notices, including notice to all registered securities depositories and to national information services that disseminate redemption notices.

11. First Trust may authenticate and deliver new certificates in substitution for certificates for any Securities represented to have been lost, destroyed or stolen, or in exchange for any certificate represented to have been mutilated, upon receiving indemnity satisfactory to the Issuer and First Trust. All expenses associated with procuring such indemnity and with the preparation, authentication and delivery of a new certificate shall be borne by the registered owner of the lost, destroyed, stolen or mutilated Securities. In the event that a lost, destroyed, stolen or mutilated certificate shall have matured or been called for redemption, such Securities shall be paid, and no new Securities shall be issued in lieu thereof or in exchange therefor.

12. Securities bearing the manual or facsimile signatures of individuals who were, at any time, authorized to execute such Securities shall bind the Issuer. First Trust may issue and register such Securities as the Securities of the Issuer, notwithstanding that such individuals have ceased to hold office with the Issuer prior to the authentication and delivery of such Securities or did not hold such office at the date of transfer of such Securities.

13. At any time, First Trust may apply to an official of the Issuer for instruction, and may consult counsel for the Issuer or bond counsel in respect to any matter arising in connection with any agency hereunder, and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with such instructions or with the advice or opinion of such counsel. First Trust shall be

protected in treating as duly executed certificates for Securities that it reasonably believes to bear the proper manual or facsimile signatures of the officials of the Issuer. First Trust shall not be responsible, for any reason, for any action taken or omitted to be taken by it in good faith or for anything whatever in connection with this Agreement or any of the Securities except for its own negligence, willful misconduct or bad faith in the performance of any duty to be performed by First Trust hereunder. First Trust and its employees are acting solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust, for or with any of the registered owners or holders of the Securities, except that all funds held by First Trust shall be held in the paying agency account and subject to the provisions hereof.

14. The Issuer agrees to pay First Trust reasonable compensation for services rendered by First Trust hereunder in accordance with the schedule of fees attached hereto as Exhibit "B", or as otherwise agreed to from time to time. The Issuer agrees to reimburse First Trust upon its request for all reasonable expenses, disbursements and advances incurred or made by First Trust in accordance with any provision hereof, including the reasonable compensation, expenses and disbursements of its employees and counsel, except any such expenses, disbursements or advances as may be attributable to First Trust's own negligence, willful misconduct or bad faith. The Issuer and First Trust specifically agree that the fees of First Trust paid hereunder have been negotiated with First Trust and have taken into account the provisions of OAR 170-61-050. The obligations of the Issuer under this paragraph shall survive payment of the Securities and the resignation or removal of First Trust. First Trust shall invoice the Issuer for its services, expenses, advances and disbursements at closing and in June each year during the term of this Agreement.

15. First Trust shall furnish to the Issuer semiannual statements on the paying agency account. First Trust will supply all necessary tax reporting to the security holders and to the Internal Revenue Service in accordance with applicable regulations.

16. The Issuer agrees to indemnify and First Trust shall be protected, in the absence of negligence, willful misconduct or bad faith, in acting upon or relying on any paper or document reasonably believed by it to be genuine and to have been signed by the proper person or persons. First Trust shall also be protected in acting upon or recognizing Securities which it reasonably believes to bear the manual or facsimile signature of authorized representative of the Issuer and the genuine counter-signature of the Registrar or any Co-registrar. The Issuer assumes full responsibility and shall indemnify First Trust and save it harmless from and against any and all actions and suits, whether groundless or otherwise and from and against any and all losses, damages, charges, costs, counsel fees, payments, expenses and liabilities arising directly or indirectly out of its agency relationship to the Issuer, so long as it acted without negligence, willful misconduct or bad faith.

17. First Trust shall take all reasonable precautions to safeguard all materials in its possession, including Securities being held by it.

18. First Trust may resign as paying agent and registrar or may be removed by the Issuer, such resignation or removal to be effective sixty (60) days after written notice to the other party. The Issuer, prior to the effective date of such resignation or removal, shall appoint a successor agent and, upon such appointment, First Trust shall deliver to the successor agent all its funds, documents, files

and records relating to the Securities. The successor agent shall notify the registered owner of the Securities of any change in agents as soon as the successor agent is appointed.

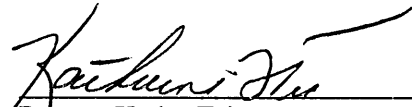
19. The files and materials kept by First Trust pursuant to this Agreement, including registration books and the records of registered Securities ownership, are not public records within the meaning of Oregon Revised Statutes 192.410(4) and First Trust shall not release to or disclose to other persons the registered ownership of the Securities of the Issuer, except as directed by the Issuer. Any files, records or materials in the possession of First Trust pursuant to this Agreement shall be used only for performance of this Agreement.

20. Any duties required of First Trust pursuant to the terms of this Agreement, including payment of interest and/or principal, shall be performed on the date specified, or, if said date is not a business day, the following business day.

21. The Issuer has the authority to make this appointment and it is not in contravention of any other documents which the Issuer has signed in connection with the issuance of the Securities.

22. This Paying Agent and Registrar Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon.

City of Newberg, Oregon


By: Kathy Tri
Title: Finance Director

ACCEPTED:

First Trust National Association, Portland, Oregon


By: Cheryl K. Nelson
Title: Assistant Vice President

EXHIBIT A

OREGON ADMINISTRATIVE RULE #170-61-010

Terms and Conditions to be Satisfied by Registrars for Municipal Bonds of Oregon Municipalities.

(1) Definitions: For the purpose of this rule, the following definitions shall apply:

- (a) "Commission" means the Municipal Debt Advisory Commission of the State of Oregon and includes the Municipal Bond Division of the Office of the State Treasurer.
- (b) "Municipality" means any political subdivision of or in the State of Oregon and any municipal, quasi-municipal and public corporations authorized by law to issue bonds.
- (c) "Act" means the new provisions added to and amendments to Oregon Revised Statutes contained in A-Engrossed House Bill 2229 which was approved during the 1983 Regular Session of the Legislature and signed into law by the Governor on May 26, 1983.
- (d) "Registrar" means one of the paying agents appointed by a municipality as provided in ORS 288.570(1) who shall be a financial institution authorized to do business in Oregon or the 288.570(7). The municipality shall determine which of the paying agents appointed by the municipality as provided in ORS 288.570(2) shall act as paying agent/registrar for each outstanding bond issue and for each subsequent bond issue.
- (e) "Bonds" means any municipal obligation subject to the registration requirement contained in the Tax Equity and Fiscal Responsibility Act of 1982.

(2) Standard Record Date: Any municipality or financial institution serving as registrar for municipal bonds issued by a municipality must adopt the standard 15-day record date. This provides that items must be received no later than 15 days prior to an interest payment date for that payment to be received by the new registered owner.

- (a) For interest payable on the 1st of a month, the record date should be the 15th day of the preceding month (e.g., for interest payable on January 1, 1983, the record date should be December 15, 1982);
- (b) For interest payable on the 15th day of a month, the record date should be the last business day of the preceding month (e.g., for interest payable on November 15, 1982, the record date should be October 29, 1982);
- (c) For interest payable on a date other than the 1st or 15th day of a month, the record date should be the 15th calendar day before the interest payment date (e.g., for interest payable on March 31, 1983, the record date should be March 16, 1983).

(3) Three Business Day Turnaround on Routine Items: Any municipality or financial institution serving as registrar for municipal bonds issued by a municipality must effect the transfer of not less than 90% of routine items within three business days of receipt. A financial institution proposing to serve as registrar must demonstrate the ability to generate performance reports that indicate compliance or noncompliance with the three business day turnaround requirement during the reporting period. Such reports are to be prepared and provided to the municipality at least once each fiscal year. Whenever such reports show that the financial institution has failed to satisfy the three business day turnaround requirement cited above for any month of the reporting period, a copy of the report is to be provided to

the Commission. The contract for registrar services between a financial institution and municipality shall state the charge to the municipality for generation of such reports.

(4) Capacity to Handle Standard Bond Format: Any municipality or financial institution serving as registrar for municipal bonds issued by a municipality must demonstrate the ability to process bonds that are the size of standard stock certificates.

(5) Uncashed Check Report: Any financial institution serving as registrar for bonds issued by a municipality must demonstrate the ability to generate a report showing the currently outstanding checks issued and not cashed along with the age of such checks. Such reports are to be generated and made available to the municipality upon request. Any municipality or financial institution serving as registrar for bonds issued by municipality shall use its best efforts to forward all returned checks to the proper owner thereof. When negotiating a contract with a financial institution for paying agent/registrar services, a municipality should take into consideration the earnings on funds held by the financial institution pending presentation of outstanding checks. Such earnings should be credited to the municipality to offset charges related to bond registration and payment.

(6) Bondholder Mailing List: Any municipality or financial institution serving as registrar for bonds issued by a municipality shall make available to the municipality upon request a list of names and addresses of holders of municipality's bonds. The contract for registrar services between a financial institution and a municipality shall state the charge to the municipality for generation of such reports. No registrar shall make available to anyone other than the municipality the names and addresses of the municipality's bondholders. Municipalities shall treat such information as confidential.

(7) Compliance with Administrative Rules: Any municipality serving as registrar for bonds issued by a municipality shall adopt a resolution or ordinance providing for compliance with this Administrative Rule. A copy of the resolution or ordinance is to be provided to the Commission. Any contract or agreement between a municipality and a financial institution to provide for registrar services include the requirements of this Administrative Rule.

(8) Application of Rule: The terms and conditions of this Administrative Rule do not apply to contracts and agreements for registrar services executed prior to its effective date. This Administrative Rule does not apply to contracts and agreements for registrar services entered into under authority provided by statutes other than the Act or by home rule charter. A municipality may request Commission approval of the appointment of a registrar under special bonds approved by the State Treasurer.

Stat. Auth.: ORS Ch. 288

Hist: TD 1-1983, F. & ef. 7-12-83

EXHIBIT B

FIRST TRUST NATIONAL ASSOCIATION
SCHEDULE OF FEES
PAYING AGENT/REGISTRAR SERVICES FOR:

CITY OF NEWBERG, YAMHILL COUNTY, OREGON
GENERAL OBLIGATION BONDS
(PUBLIC SAFETY CAPITAL PROJECT)
1997 SERIES A
&
CITY OF NEWBERG, YAMHILL COUNTY, OREGON
LIMITED TAX GENERAL OBLIGATION BONDS
1997 SERIES ONE

I. **Acceptance Fee:** **\$250 (per issue)**

Covers acceptance of trust, review and comment on the financing documents, inspection and authentication of the bonds, receipt, disbursement and allocation of bonds proceeds, establishment of administrative records and all services up to and including the closing.

Payable at closing.

II. **Annual Administration Fee:** **\$450 (per issue)**

Covers normal administration of the trust, including the follow-up necessary to determine compliance with document covenants, maintenance of administrative records, examination of statements, certificates and other documents filed with us in accordance with the financing documents, receipt, allocation and disbursement of bond payments, custody of securities and the collection of income thereon, and the preparation and distribution of statements for each of the accounting funds. Also covers administrative services associated with the Registrar and Paying Agent capacity. *Payable at closing and each anniversary.*

III. **Out-of-Pocket Expenses:**

Reimbursement for out-of-pocket expenses will be billed at 10% of the annual administration fee amount, excluding acceptance fee. Costs of counsel, if any, and publication of redemption notices will be billed at the actual costs incurred.

Fees for services not specifically covered in this schedule will be based on appraisal of services rendered.

3/24/97