

**AFFIDAVIT OF POSTING  
ORDINANCE CB-0-110-88**

STATE OF OREGON                    )  
  )  
COUNTIES OF CLACKAMAS        )  
  )  
  )  
  )  
  )  
CITY OF WILSONVILLE         )

I, the undersigned, City Recorder of the City of Wilsonville, State of Oregon, being first duly sworn on oath depose and say:

On the 14th day of December, 1988, I caused to be posted copies of the attached Ordinance CB-O-110-88, an Ordinance providing for the issuance and sale of the City of Wilsonville, Oregon, Water System improvements and related matters; and declaring an emergency, in the following four public and conspicuous places of the City, to wit:

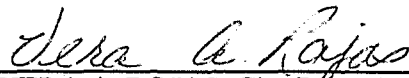
WILSONVILLE CITY HALL

WILSONVILLE POST OFFICE

LOWRIE'S FOOD MARKET

KOPPER KITCHEN

The ordinance remained posted for more than five (5) consecutive days prior to the time for said public hearing on the 19th day of December, 1988.

  
\_\_\_\_\_  
VERA A. ROJAS, City Recorder

Subscribed and sworn to before me  
this 22<sup>nd</sup> day of December, 1988.

  
\_\_\_\_\_  
NOTARY PUBLIC, STATE OF OREGON

My Commission expires: 8-23-88

ORDINANCE NO. 341

AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF THE CITY OF WILSONVILLE, OREGON, WATER SYSTEM REVENUE BONDS, SERIES 1988, IN THE PRINCIPAL AMOUNT OF \$2,205,000 TO FINANCE WATER SYSTEM IMPROVEMENTS AND RELATED MATTERS, AND DECLARING AN EMERGENCY.

The City of Wilsonville, Oregon (the "City") ordains as follows:

Section I. Findings.

A. On December 6, 1988 the City adopted Ordinance No. 339, which authorized the sale of its Water System Revenue Bonds, Series 1988 in the approximate amount of \$2,175,000 and which authorized the City to obtain bond insurance and to adjust the principal amount of the bonds to pay the cost of insurance; and

B. The bonds were duly advertised for sale and on December 7, 1988 the bonds were sold to Security Pacific Securities, Inc., with insurance to be provided by AMBAC Indemnity Corporation; and

C. It is now necessary to adopt an ordinance which contains the provisions required to sell the bonds with insurance and to adjust principal maturities and make other changes confirming the sale of the bonds. To the extent this Ordinance conflicts with Ordinance No. 339, this Ordinance prevails.

Section II. Definitions.

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

1. "AMBAC Indemnity" shall mean AMBAC Indemnity Corporation, a Wisconsin-domiciled stock insurance company.
2. "Bonds" means the City's Water System Revenue Bonds, Series 1988 and any Parity Obligations issued pursuant to this Ordinance.
3. "Code" means the Internal Revenue Code of 1986, as amended, and regulations adopted pursuant thereto.
4. "Construction Fund" means the Water System Construction Fund heretofore established pursuant to Section VIII hereof. Series 1988 revenue bond

proceeds will be deposited in the Construction Fund.

5. "City" means the City of Wilsonville, Washington and Clackamas Counties, Oregon, a municipal corporation of the State of Oregon.
6. "Council" means the governing body of the City.
7. "Default" means any event specified in Section XVIII of this Ordinance.
8. "Gross Revenues" means all fees and charges resulting from provision of water services, revenues from product sales, and other revenues required to be placed in the Water Fund under this Ordinance, and any interest earnings on the Water Fund which earnings are held in the Water Fund; however, Gross Revenues does not include: (a) any payments of assessments levied against benefited properties; (b) the proceeds of any grants; (c) the proceeds of any borrowing for capital improvements; (d) the proceeds of any liability insurance, and (e) the proceeds of any casualty insurance which the City intends to utilize for repair or replacement of Water Facilities; and (f) 70% of the net proceeds from water hook-up charges (the "Hook-Up Charges") until February 2, 1993 at which time the City's General Obligation Water Bonds, dated February 1, 1978, to which the Hook-Up Charges are pledged, will be fully retired. Thereafter, all Hook-Up Charges will be included in Gross Revenues pursuant to this Ordinance.
9. "Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy issued by AMBAC Indemnity insuring the payment when due of the principal of and interest on the Bonds as provided therein.
10. "Net Operating Revenues" means the Gross Revenues less the Operating Expenses.
11. "Operating Account" means the Operating Account established pursuant to Section IX hereof.
12. "Operating Expenses" means all expenses incurred for operation, maintenance and repair of the Water Facilities, including but not limited to administrative expenses, financial and auditing expenses, insurance premiums, claims (to the extent monies are not available from proceeds of

insurance), taxes, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, payments to reserve funds, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the system.

13. "Ordinance" means this Ordinance.
14. "Parity Obligations" means any revenue bonds or other obligations of the City which comply with the provisions of Section XVI of this Ordinance for the issuance of Parity Obligations.
15. "Permitted Investment" means the following obligations to be used as Permitted Investments for all purposes other than: (i) investments in escrow accounts, and (ii) investing, and receiving credit for, accrued and capitalized interest:

a. direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America;

b. obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

Export - Import Bank;  
Farmers Home Administration;  
General Services Administration;  
U. S. Maritime Administration;  
Small Business Administration;  
Government National Mortgage Association (GNMA);  
U. S. Department of Housing & Urban Development  
(PHA's)  
Federal Housing Administration;

c. bonds, notes or other evidences of indebtedness rated "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's Investor Services issued by the Federal National Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years

d. U. S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

e. commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's and "P-1" by Moody's Investor Services and which matures not more than 270 days after the date of purchase;

f. Investments in a money market fund rated "AAm" or "AAAm-G" or better by Standard & Poor's Corporation;

g. Pre-refunded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrument-ality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on the escrow, in the highest rating category of Standard & Poor's Corporation and Moody's Investor Service, Inc. or any successors thereto; or (B)(i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

h. Investment agreements approved in writing by AMBAC Indemnity Corporation (supported by appropriate opinions of counsel); and

i. Local Government Investment Pool established under ORS 294.805 et seq.

j. Other forms of Investments approved in writing by AMBAC.

16. "Project" means the Water Facilities which will be financed with the proceeds of the Bonds.
17. "Rate Stabilization Account" means the Rate Stabilization Account established pursuant to Section X hereof.
18. "Redemption Account" means the Redemption Account established pursuant to Section IX hereof by the City to hold funds to be used to pay Bond principal and interest.
19. "Registrar" or "Bond Registrar" means that entity which is under contract with the City to serve as paying agent and registrar for the Bonds.
20. "Required Reserve" means an amount equal to the lesser of maximum annual debt service on the Bonds determined as of the date of issuance of the Bonds or ten percent of the proceeds of the Bonds.
21. "Reserve Account" means the Debt Reserve Account established pursuant to Section IX hereof.
22. "Reserve Equivalent" means an insurance policy, surety bond or letter of credit issued by a municipal bond insurance company or a commercial bank having a credit rating (when the policy, bond, or letter of credit is issued) of at least Aa or AA as determined by Moody's Investors Service or Standard & Poor's Corporation, or their successors, in which the insurance company or commercial bank agrees unconditionally to provide the City with funds for the payment of the Required Reserve.
23. "Subordinate Obligations" means any obligations of the City payable from Net Operating Revenues which comply with the provisions of Section XVII hereof.

24. "Water Fund" means the Water Fund maintained by the City into which the Gross Revenues are deposited.
25. "Water Facilities" means the water system of the City.

Section III. The Bonds. Pursuant to the authority of ORS 288.805 to 288.945, and the approval of a majority of the qualified voters of the City voting at the March 22, 1988 election and Ordinance No. 339, the Council hereby authorized and now directs the issuance of the City of Wilsonville, Washington and Clackamas County, Oregon's Water System Revenue Bonds, Series 1988, in the aggregate principal amount of TWO MILLION TWO HUNDRED FIVE THOUSAND DOLLARS (\$2,205,000) (the "Bonds") to Security Pacific Securities, Inc., to be insured by AMBAC Indemnity Corporation. The Bonds shall be dated December 1, 1988, shall be in registered form, shall be in denominations of \$5,000 or any integral multiple thereof, shall bear interest payable semiannually on the first days of June and December in each year until maturity or prior redemption, commencing June 1, 1989, and shall mature on the first day of December in the following years and amounts:

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
1989	55,000	1998	95,000
1990	60,000	1999	105,000
1991	60,000	2000	110,000
1992	65,000	2001	120,000
1993	70,000	2002	130,000
1994	75,000	2003	140,000
1995	80,000	2004	150,000
1996	85,000	2005	160,000
1997	90,000		

The bonds maturing December 1, 2008, shall be subject to mandatory redemption, by lot, at par plus accrued interest to the dated fixed for redemption, in the amounts and on the dates set forth below:

<u>Redemption Date</u> (December 1)	<u>Principal Amount</u>
2006	\$170,000
2007	\$185,000
2008	\$200,000*

Final Maturity\*

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

Section IV. Optional Designation of Term Bonds and Mandatory Redemption. The purchaser designated one term bond as shown above.

Section V. Optional Redemption. The City reserves the right to redeem all or any portion of the Bonds maturing after December 1, 1996 in inverse order of maturity and by lot within a maturity on December 1, 1996 and any interest payment date thereafter, at par plus accrued to the date of redemption.

Section VI. Notice of Redemption. Unless waived by any registered owner of the Bond or Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Registrar.

All official notices of redemption shall be dated and shall state:

- A. the redemption date,
- 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 said date, and
- 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 Registrar.

Prior to any redemption date, the City shall deposit with the Registrar an amount of money sufficient to pay the





which is currently United States National Bank of Oregon in Portland, Oregon (the "Registrar") by check or draft. Checks or drafts will be mailed on the interest payment date (or the next business day if the interest payment date is not a business day) to the registered owner at the address appearing on the Bond register as of the fifteenth day of the month prior to the interest payment date. Bond principal is payable upon presentation and surrender of this Bond to the Registrar.

ADDITIONAL PROVISIONS OF THIS BOND APPEAR ON THE REVERSE SIDE; THESE PROVISIONS HAVE THE SAME EFFECT AS IF THEY WERE PRINTED HEREIN.

This revenue bond is not a general obligation or liability of the City, and is payable solely from the Net Operating Revenues of the Water Facilities as provided in Ordinance No. 339 of the City passed November 21, 1988 and Ordinance No. \_\_\_ passed December 19, 1988 (the "Ordinance"). The City covenants and agrees with the owner of this Bond that it will keep and perform all of the covenants in this Bond and in the Ordinance. The City has pledged the Net Operating Revenues of the Water Facilities to the payment of principal and interest on this Bond.

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

IN WITNESS WHEREOF, the Council of the City of Wilsonville, Washington and Clackamas Counties, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of its Recorder, and sealed with the printed facsimile seal of the City, as of the date indicated above.

(SEAL)

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
Recorder

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

DATED:

CERTIFICATE OF AUTHENTICATION

This is one of the City's Water System Revenue Bonds, Series 1988 issued pursuant to the Ordinance described herein.

UNITED STATES NATIONAL BANK OF OREGON, as Registrar

By \_\_\_\_\_  
Authorized Officer

**Note to Printer:** The following language should be printed on the reverse of the Bond:

This Bond is one of a series of \$2,205,000 Water System Revenue Bonds, Series 1988 (the "Bonds"), of the City, and is issued by the City for the purpose of financing water system improvements including a new water storage reservoir, additional wells and water mainlines, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The City reserves the right to redeem all or any portion of the Bonds maturing after December 1, 1996 in inverse order of maturity and by lot within a maturity on December 1, 1996 and any interest payment date thereafter, at par plus accrued to the date of redemption.

The bonds maturing December 1, 2008, shall be subject to mandatory redemption, by lot, at par plus accrued interest to the date fixed for redemption, in the amounts and on the dates set forth below:

<u>Redemption Date</u> <u>(December 1)</u>	<u>Principal Amount</u>
2006	\$170,000
2007	\$185,000
2008	\$200,000*

Final Maturity\*

Notice of any call for redemption, unless waived by the registered owner of the Bond or Bonds to be redeemed, shall be mailed not less than thirty days and not more than sixty days prior to such call to the registered owners of the Bond or Bonds to be redeemed, and otherwise given as required by law and the Ordinance; however, any failure to give notice shall not

invalidate the redemption of the Bonds. All Bonds called for redemption shall cease to bear interest from the date designated in the notice.

The Bonds are issuable in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. The Bonds may be exchanged for Bonds of the same aggregate principal amount, but different denominations, in the manner, and subject to the conditions set forth in the Ordinance.

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

#### STATEMENT OF INSURANCE

Municipal Bond Insurance Policy No. 3313BE (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by AMBAC Indemnity Corporation ("AMBAC Indemnity"). The Policy has been delivered to the United States Trust Company of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from AMBAC Indemnity or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The registered owner of this Bond acknowledges and consents to the subrogation rights of AMBAC Indemnity as more fully set forth in the Policy.

#### ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto \_\_\_\_\_

Please insert social security or other  
identifying number of assignee



disbursed only to finance the Project and costs incurred in connection with the issuance of the Bonds.

Earnings from investment of the funds in the Construction Fund shall be maintained in the Construction Fund, and shall be treated and disbursed as Bond proceeds. Any proceeds of the Bonds remaining after payment of all Project and issuance costs shall be transferred to the Water Fund.

Section IX. Deposit and Use of Revenues. The City shall deposit all Gross Revenues into the Operating Account hereby created in the Water Fund. As long as any Bonds remain issued and outstanding, monies in the Operating Account of the Water Fund shall be used solely to pay the following amounts in the following order:

A. To pay Operating Expenses (other than payments to the Rate Stabilization Account),

B. To make payments to the Redemption Account to pay Bond principal and interest,

C. To make payments to the Reserve Account to eliminate any deficiency in the Required Reserve.

D. To make payments to the Rate Stabilization Account, and

E. To pay any other expenses relating to the Water Facilities.

Section X. Creation of Accounts, Permitted Investments.

A. The Redemption Account is created. The City shall deposit into the Redemption Account, solely from the Operating Account and the Debt Reserve Account, money sufficient to make payments of Bond principal and interest in accordance with Section XI of this Ordinance.

B. The Debt Reserve Account is created.

1. The City shall maintain a balance in the Debt Reserve Account at least equal to the Required Reserve either in monies or by a Reserve Equivalent or by a combination thereof.

Monies or the Reserve Equivalent required to be maintained in the Reserve Account will be used only to pay principal and interest on the Bonds, and only in the event that the Net Operating Revenues and monies in the Redemption Account are

insufficient to pay Bond principal and interest when due.

If earnings on the Redemption Account and the Reserve Account are not retained in that account, the earnings shall be deposited in the Operating Account. Any surplus remaining in the Reserve Account after all Bonds have been paid shall be deposited in the Operating Account.

2. The City covenants with the owners of the Bonds that it will, on each Bond payment date so long as any Bonds remain outstanding, deposit from the Net Operating Revenues into the Debt Reserve Account an amount equal to any deficiency in the Required Reserve in accordance with Section XI of this Ordinance. In the event the amount on deposit in the Debt Reserve Account is less than the Required Reserve, the deficiency shall be eliminated solely from payments for such purpose available from the Water Fund. In the event the amount on deposit in the Debt Reserve Account is more than the Required Reserve, any such excess will be transferred, not less frequently than every three months, to the Construction Fund, or, after completion of the Project, to the Operating Account.

C. The Rate Stabilization Account is created within the Water Fund. Gross Revenues remaining after making payments pursuant to Section IX, A, B, and C of this Ordinance, in excess of the amount required to meet the Rate Covenant under Section XII of this Ordinance may be deposited in the Rate Stabilization Account and, for the purposes of the covenant test, will be considered expenses in the year in which they are deposited. Similarly, funds available in the Rate Stabilization Account will be disbursed only to the Operating Account within the Water Fund and will be considered to be earnings for the purposes of the rate covenant test.

D. Monies in the Operating Account, the Construction Fund, the Debt Service Account, the Debt Reserve Account and the Rate Stabilization Account may be invested in Permitted Investments but shall not be commingled with any other monies of the City except for investment purposes.

Section XI. Pledge and Disposition of Net Operating Revenues to Redemption Account.

A. The City hereby pledges the Net Operating Revenues to the payment of principal and interest on all Bonds.

B. The City hereby covenants with the owners of the Bonds that it will, so long as any Bonds remain outstanding, make the following deposits from the Net Operating Revenues into the Redemption Account:

1. Commencing on January 1, 1989, and monthly thereafter the City will deposit into the Redemption Account an amount equal to one-sixth (1/6th) of the amount necessary to pay Bond interest which will become due during the six months following the deposit. Prepayment of monthly deposits will fulfill this requirement. Notwithstanding the foregoing, the City shall deposit into the Redemption Account from the Net Operating Revenues an amount sufficient to permit all interest due on the Bonds to be paid on the date it is due.
2. Commencing on January 1, 1989, and monthly thereafter, the City will deposit into the Redemption Account an amount equal to one-twelfth (1/12th) of the amount necessary to pay any Bond principal which will become due during the twelve months following the deposit. Prepayment of monthly deposits will fulfill this requirement. Notwithstanding the foregoing, the City will deposit into the Redemption Account from the Net Operating Revenues an amount sufficient to permit all principal due on the Bonds to be paid on the date it is due.
3. Commencing January 1, 1989, on the first day of each month the City shall deposit into the Reserve Account an amount equal to one-twelfth (1/12th) of any deficiency in the Required Reserve for the immediately preceding fiscal year. Prepayment of monthly deposits will fulfill this requirement.

Section XII. Rate Covenant. The City covenants that it will review fees and charges at least annually and will impose fees and charges in connection with the operation of the Water Facilities which are projected to generate Net Operating Revenues at least equal to 1.25 times the annual debt service on all outstanding Bonds for the following calendar year. If the Net Operating Revenues fail to meet this level, the City shall promptly increase its fees and charges to a level so that Net Operating Revenues are projected to meet the required level.

Section XIII. General Covenants. The City hereby covenants and agrees with the owners of all outstanding Bonds as follows:



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

B. That it will maintain complete books and records relating to the operation of the Water Facilities, the Water Fund, the Construction Fund, the Redemption Account, Operating Account and the Reserve Fund, in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each fiscal year, and an audit report prepared and made available for the inspection of Bondowners.

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

D. The City will promptly deposit into the Water Fund all sums required to be so deposited.

E. That it will operate the Water Facilities in a sound, efficient and economic manner, and will not enter into any agreements to provide free service or services except for fire fighting, reservoir flushing, or in case of emergency.

Section XIV. Maintenance of Tax-Exempt Status. The City covenants for the benefit of the owners of the Bonds to comply with all provisions of the Code which are required for Bond interest to be excluded from federal income taxation under existing laws (except for certain taxes on corporations), unless the City obtains an opinion of nationally recognized bond counsel that such compliance is not required for the interest paid on the Bonds to be so excluded. The City makes the following specific covenants with respect to the Code:

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

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

C. The City shall comply with all reporting requirements.

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

Section XV. Authentication, Registration and Transfer.

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

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

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

D. The Registrar shall mail each interest payment on the interest payment date (or the next business day if the interest payment date is a business day) to the registered owners at their addresses appearing on the Bond Register as of the fifteenth day of the month preceding an interest payment date (the "Record Date"). If payment is so mailed, neither the City nor the Registrar shall have any further liability to any party for such payment.

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

1. written instructions for exchange or transfer satisfactory to the Registrar, signed by the Bondowner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Registrar; and
2. the Bonds to be exchanged or transferred.

F. The Registrar shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following interest payment date; however, such Bonds shall be exchanged or transferred promptly following the interest payment date.

G. The Registrar shall not be required to exchange or transfer any Bonds which have been designated for redemption if

such Bonds are submitted to it during the fifteen-day period preceding the designated redemption date.

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

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

#### Section XVI. Parity Obligations.

A. The City may issue Parity Obligations to provide funds to finance the construction of new Water Facilities, the repair and improvement of existing Water Facilities, or the refunding of outstanding Bonds, upon the following conditions:

1. No Default has occurred and is continuing;
2. At the time of the issuance of the Parity Obligations there is no deficiency in the Redemption Account or the Reserve Account;
3. The Ordinance authorizing the issuance of the Parity Obligations requires that a deposit be made at closing sufficient to bring the balance in the Reserve Account equal to the maximum annual debt service on all outstanding Bonds, including the proposed Parity Obligations.
4. The Ordinance authorizing the issuance of the Parity Obligations contains a covenant requiring the City to charge fees projected to generate Net Operating Revenues at least equal to 1.25 times the annual debt service on all outstanding Bonds in accordance with Section XII of this Ordinance.
5. Prior to the issuance of Parity Obligations the City shall file in the office of the City's financial officer a report of an independent, consulting engineer that the schedule of rates and charges which has been previously adopted by the Council are sufficient to produce, on a pro forma basis, Net Operating Revenues in the fiscal year in which the Bonds are issued at least equal to 1.25 times the annual debt service on all outstanding Bonds, including the proposed Parity Obligations.

B. Upon Default, any Bondowner may exercise any remedy available at law or in equity.

C. Upon the occurrence of an event of default, 60% of the Bondholders may, with the consent of AMBAC Indemnity, by written notice to the Issuer and AMBAC Indemnity, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Ordinance or in the Bonds to the contrary notwithstanding.

D. Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, AMBAC Indemnity shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders for the benefit of the Bondholders under this Ordinance, including, without limitation, acceleration of the principal of the Bonds as described in this Ordinance and the right to annul any declaration of acceleration, and AMBAC Indemnity shall also be entitled to approve all waivers of events of default.

Section XIX. Insurance. The City covenants to maintain insurance, or a reasonable system of self insurance, appropriate to the risks associated with operation of its Water Facilities.

Section XX. Payment Procedure Pursuant to Municipal Bond Insurance Policy.

A. As long as the bond insurance shall be in full force and effect, the Issuer, the Trustee and any Paying Agent agree to comply with the following provisions:

1. if five (5) days prior to Interest Payment Date the Issuer or Paying Agent determines that there will be insufficient funds in the Funds and Accounts to pay the principal of or interest on the Bonds on such Interest Payment Date, the Issuer or Paying Agent shall so notify AMBAC Indemnity. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Issuer or Paying Agent has not so notified AMBAC Indemnity five (5) days prior to an Interest Payment Date, AMBAC Indemnity will make payments of principal or interest due on the Bonds on or before the

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

Section XVII. Subordinate Obligations. The City may issue Subordinate Obligations to provide funds to finance the construction of the Water Facilities improvements, the repair and improvement of the existing Water Facilities, or the refunding of outstanding Bonds, provided no default has occurred and is continuing.

All Subordinate Obligations shall have a lien on the Net Operating Revenues which is subordinate to the lien of the Bonds and all Parity Obligations issued in accordance with Section XVI of this Ordinance. In the event of any insolvency or bankruptcy proceedings relative to the City or to its property, the holders of the Bonds and the Parity Obligations shall be entitled to receive payment in full of all principal, premium (if any) and interest thereon (including interest accruing after the commencement of any proceeding) before the holders of the Subordinated Obligations are entitled to receive any payment on account of principal, premium (if any) or principal upon the Subordinated Obligations.

Section XVIII. Default.

A. The following events shall constitute Default:

1. Failure to pay Bond principal or interest when due; or
2. Failure to perform any other obligation of the City imposed by this Ordinance or the Bonds, but only if:

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

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

3. Imposition of a receivership upon, or liquidation of, the Water Fund; or,
4. Written admission by the City that the City is unable to pay its debts as they become due.

fifth (5th) business day next following the date on which AMBAC Indemnity shall have received notice of nonpayment from the Issuer or Paying Agent.

2. the Issuer or Paying Agent shall, after giving notice to AMBAC Indemnity as provided in (a) above, make available to AMBAC Indemnity and, at AMBAC Indemnity's direction, to the United States Trust Company of New York, as insurance trustee for AMBAC Indemnity or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Issuer maintained by the Issuer or Paying Agent and all records relating to the Funds and Accounts maintained under this Ordinance.
3. the Issuer or Paying Agent shall provide AMBAC Indemnity and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from AMBAC Indemnity under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from AMBAC Indemnity and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of the Bonds entitled to receive full or partial principal payments from AMBAC Indemnity.
4. the Issuer or Paying Agent shall, at the time it provides notice to AMBAC Indemnity pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from AMBAC Indemnity (i) as to the fact of such entitlement, (ii) that AMBAC Indemnity will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from AMBAC Indemnity, they must

surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of AMBAC Indemnity) for payment to the Insurance Trustee, and not the Issuer or Paying Agent and (iv) that should they be entitled to receive partial payment of principal from AMBAC Indemnity, they must surrender their Bonds for payment thereon first to the Issuer or Paying Agent, who shall note on such Bonds the portion of the principal paid by the Issuer or Paying Agent, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of the principal.

5. in the event that the Issuer or Paying Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Issuer or Paying Agent shall, at the time AMBAC Indemnity is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available, and the Issuer or Paying Agent shall furnish to AMBAC Indemnity its records evidencing the payments of principal of and interest on the Bonds which have been made by the Issuer or Paying Agent, and subsequently recovered from registered owners and the dates on which such payments were made.
6. in addition to those rights granted AMBAC Indemnity under this Ordinance, AMBAC Indemnity shall, to the extent it makes payment of principal of or interest on Bonds,

become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Issuer or Paying Agent shall note AMBAC Indemity's rights as subrogee on the registration books of the Issuer maintained by the Issuer or Paying Agent upon receipt from AMBAC Indemnity of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Issuer or Paying Agent shall note AMBAC Indemnity's rights as subrogee on the registration books of the Issuer maintained by the Issuer or Paying Agent upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

Section XXI. Notices to be Given to AMBAC Indemnity.

A. While the Municipal Bond Insurance Policy is in effect, the Issuer shall furnish to AMBAC Indemnity:

1. as soon as practicable after the filing thereof, a copy of any financial statement of the Issuer and a copy of any audit and annual report of the Issuer;
2. a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Ordinance relating to the security for the Bonds; and
3. such additional information it may reasonable request.

B. The Issuer will permit AMBAC Indemnity to discuss the affairs, finances and accounts of the Issuer or any information AMBAC Indemnity may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer. The Issuer will permit AMBAC Indemnity to have access to the Project and have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

C. AMBAC Indemnity shall have the right to direct an accounting at the Issuer's expense, and the Issuer's failure to



comply with such direction within thirty (30) days after receipt of written notice of the direction from AMBAC Indemnity shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

D. Notwithstanding any other provision of this Ordinance the Issuer shall immediately notify AMBAC Indemnity if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

Section XXII. Sales, Leases and Encumbrances.

A. The City may not sell or exchange or otherwise dispose of any property constituting a part of the Water Facilities unless such property is either worn out or obsolete or, in the opinion of the City, is no longer useful in the operation of the Water Facilities. Any proceeds of such sale, exchange or other disposition not used to replace the property so sold or exchanged shall be deposited in the Water Fund.

B. The City may mortgage, grant security interests in, or otherwise encumber the Water Facilities, provided that the aggregate annual payments required to be made by the Water Fund under all such mortgages, security interests, encumbrances and leases shall not in any fiscal year exceed 25% of the Operating Expenses for such fiscal years and provided that such action shall not adversely affect the ability of the City to meet debt service on the Bonds.

C. The City may also lease as lessor or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to any part of the Water Facilities if such lease, contract, license, easement or right does not, in the opinion of the City, impede the operation of the Water Facilities.

Section XXIII. Amendment of Ordinance.

A. This Ordinance may be amended without the consent of any Bondowners for any one or more of the following purposes:

1. To add to the covenants and agreements of the City in this Ordinance any other covenants and agreements thereafter to be observed by the City, or to surrender any right or power herein reserved to or conferred upon the City which do not adversely affect the interests of the Bondowners;

2. To cure any ambiguity or formal defect contained in this Ordinance, if that cure does not, in the judgment of the Council, adversely affect the interests of the Bondowners;
3. To issue Parity Obligations in accordance with Section XVI hereof;
4. To issue Subordinate Obligations in accordance with Section XVII hereof.

B. This Ordinance may be amended for any other purpose only upon consent of the Bondowners of not less than 60% in aggregate principal amount of the Bonds outstanding; provided, however, that no amendment shall be valid which:

1. Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Bondowner; or
2. Reduces the percent of Bondowners required to approve amendatory resolutions and ordinances.

C. Any provision of this Ordinance expressly recognizing or granting rights in or to AMBAC Indemnity may not be amended in any manner which affects the rights of AMBAC Indemnity hereunder without the prior written consent of AMBAC Indemnity.

D. Unless otherwise provided in this Section, AMBAC Indemnity's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental ordinance and (ii) initiation or approval of any action not described in (i) above which requires Bondholder consent.

#### Section XXIV. Defeasance.

A. The lien of the Bonds upon the Net Operating Revenues may be defeased, and the Bonds shall be deemed paid, if the City places in irrevocable escrow cash or direct obligations of, including obligations issued or held in book entry form on the books of) The Department of the Treasury of the United States of America which are calculated to be sufficient, without reinvestment, to pay principal, interest and any premium on the Bonds as they become due, either at maturity or on prior redemption.

B. In the event that the principal and/or interest due on the Bonds shall be paid by AMBAC Indemnity pursuant to the Municipal Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Net Operating Revenues and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of AMBAC Indemnity, and AMBAC Indemnity shall be subrogated to the rights of such registered owners.

Section XXV. Value of Permitted Investments.

A. The value of the Permitted Investments shall be determined as provided in "Value" below.

"Value," which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

1. as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
2. as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
3. as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
4. as to any investment not specified above: the value thereof established by prior agreement between the Issuer, and AMBAC Indemnity Corporation.

Section XXVI. Designation of Bonds as Qualified Tax-Exempt Obligations. The City hereby designates the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. The City covenants not to so designate tax-exempt obligations in the current calendar year in an aggregate amount

of more than \$10,000,000. The City together with its subordinate entities, if any, does not reasonably expect to; issue more than \$10,000,000 of tax-exempt obligations during the current calendar year.

Section XXVII. Sale of Bonds. The sale of the Bonds to Security Pacific Securities, Inc., is confirmed.

Section XXVIII. Additional Actions. The preparation and distribution of the Preliminary Official Statement and the Official Statement to be used in connection with the sale of the Bonds, and the inclusion therein of the sections describing the activities and finances of the City, are authorized, approved and confirmed. The City Manager is authorized, empowered and directed to execute the Official Statement for and on behalf of the City to the Underwriters for distribution to the public.

The City Manager is authorized and empowered to obtain a rating of the Bonds from Standard & Poor's Corporation, Moody's Investor Services, Inc., or such other similar credit rating agency as they shall determine.

The City Manager, and his designee, is authorized and empowered to obtain a policy of insurance from AMBAC Indemnity Corporation to provide further assurance to bondowners of the payment of the sum or charge (if any) for the investment from the proceeds of the Bonds is authorized and approved.

The Mayor, Recorder and the City Manager, and their designees, and other appropriate officers of the City shall be, and each of them is, authorized to execute and deliver on behalf of the City and all additional certificates, documents or other papers and perform other acts (including, without limitation, the filing of any documents) as they may deem necessary or appropriate in order to implement the intent and purpose of this Ordinance.

XXIX. Emergency. It is essential to adopt this Ordinance so that the Bonds can be delivered and sold with insurance in place on December 22, 1988, an emergency is therefore declared and this Ordinance shall take effect immediately.

SUBMITTED to the Wilsonville City Council and read for the first and second time at a regular meeting thereof on the

19th day of December, 1988, commencing at the hour of 7:30 o'clock p.m. at the Wilsonville City Hall.

Vera A. Rojas  
VERA A. ROJAS, City Recorder

ENACTED by the Council on the 19th day of December, 1988, by the following votes:

YEAS: 5 NAYS: 0.

Vera A. Rojas  
VERA A. ROJAS, City Recorder

DATED and signed by the Mayor this 20th day of December, 1988.

William E. Stark  
WILLIAM E. STARK, Mayor

SUMMARY of Votes:

Mayor Stark	<u>AYE</u>
Councilor Edwards	<u>AYE</u>
Councilor Braymen	<u>AYE</u>
Councilor Clarke	<u>AYE</u>
Councilor Jameson	<u>AYE</u>