

AFFIDAVIT OF POSTING
ORDINANCE CB-0-108-88

STATE OF OREGON)
COUNTIES OF CLACKAMAS)
AND WASHINGTON)
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 30th day of November, 1988, I caused to be posted copies of the attached Ordinance CB-O-108-88, an Ordinance providing for the issuance and sale of the City of Wilsonville, Oregon, water system and revenue bonds, Series 1988, in the principal amount of \$2,175,000 to finance water system improvements and related matters, 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 5th day of December, 1988.


VERA A. ROJAS, City Recorder

Subscribed and sworn to before me
this 22nd day of December, 1988.


NOTARY PUBLIC, STATE OF OREGON

My Commission expires: 8-23-88

ORDINANCE NO. 339

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 \$2,175,000 TO FINANCE WATER SYSTEM IMPROVEMENTS AND RELATED MATTERS.

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

Section I. Findings.

A. The City finds it advantageous to issue water system revenue bonds pursuant to ORS 288.805 et seq., the Uniform Revenue Bond Act (the "Act"), to finance improvements to the City's water system.

B. For purposes of seeking as much citizen input as possible, the City Council, on January 4, 1988, adopted Resolution No. 648 which authorized the City to submit to the qualified voters of the City the question of contracting water system revenue bond indebtedness in an amount not to exceed \$2,320,000 for a term not to exceed 20 years.

C. The election was duly and legally held on the 22nd day of March, 1988, and the City Council has canvassed the result thereof and has declared that issuance of the water system revenue bonds in such sum has been approved by a majority of the qualified voters of the City voting at the election.

D. The City has determined to issue water system revenue bonds pursuant to the Act and voter approval in the amount of \$2,175,000 to finance improvements to the City's water system.

Section II. Definitions.

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

1. "Bonds" means the City's Water System Revenue Bonds, Series 1988 and any Parity Obligations issued pursuant to this Ordinance.
2. "Code" means the Internal Revenue Code of 1986, as amended, and regulations adopted pursuant thereto.
3. "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.

4. "City" means the City of Wilsonville, Washington and Clackamas Counties, Oregon, a municipal corporation of the State of Oregon.
5. "Council" means the governing body of the City.
6. "Default" means any event specified in Section XVIII of this Ordinance.
7. "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.
8. "Net Operating Revenues" means the Gross Revenues less the Operating Expenses.
9. "Operating Account" means the Operating Account established pursuant to Section IX hereof.
10. "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.

11. "Ordinance" means this Ordinance.
12. "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.
13. "Project" means the Water Facilities which will be financed with the proceeds of the Bonds.
14. "Rate Stabilization Account" means the Rate Stabilization Account established pursuant to Section X hereof.
15. "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.
16. "Registrar" or "Bond Registrar" means that entity which is under contract with the City to serve as paying agent and registrar for the Bonds.
17. "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.
18. "Reserve Account" means the Debt Reserve Account established pursuant to Section IX hereof.
19. "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.
20. "Water Fund" means the Water Fund maintained by the City into which the Gross Revenues are deposited.
21. "Water Facilities" means the water system of the City.

22. "Subordinate Obligations" means any obligations of the City payable from Net Operating Revenues which comply with the provisions of Section XVII hereof.

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, the Council hereby authorizes and 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 ONE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$2,175,000) (the "Bonds"). 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	2000	110,000
1990	60,000	2001	120,000
1991	60,000	2002	125,000
1992	65,000	2003	135,000
1993	70,000	2004	145,000
1994	75,000	2005	155,000
1995	80,000	2006	170,000
1996	85,000	2007	180,000
1997	90,000	2008	195,000
1998	95,000		
1999	105,000		

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. Bidders may designate no more than two Term Bonds. Term Bonds must consist of two or more consecutive maturities, and must mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities. Term Bonds shall be subject to mandatory redemption at par and by lot, in the amounts and on the dates of the consecutive maturities shown in the preceding section. If no Term Bonds are designated in the successful bid, the Bonds will mature serially on the schedule indicated 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 holder of 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 redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

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

Section VII. Form of Bond. The Bonds shall be in substantially the following form:

No. R-_____

\$_____

STATE OF OREGON
CITY OF WILSONVILLE
COUNTIES OF WASHINGTON AND CLACKAMAS
WATER SYSTEM REVENUE BOND, SERIES 1988

DATED

INTEREST

% PER ANNUM

MATURITY DATE

CUSIP

REGISTERED OWNER

PRINCIPAL AMOUNT

THE CITY OF WILSONVILLE, in the Counties of Washington and Clackamas, State of Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the registered owner hereof, or registered assigns, but solely from the sources indicated below, the principal amount hereof on the maturity date indicated above together with interest thereon from the date hereof at the rate per annum indicated above. Interest is payable semiannually on the first days of June and December in each year until maturity or prior redemption, commencing June 1, 1989. Interest upon this bond is payable through the principal corporate trust office of the City's paying agent and registrar 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 names and addresses of the registered owners as they appear 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. _____ of the City adopted November 21, 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 pursuant to the Ordinance described herein.

_____, 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 \$2,175,000 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.

(Add provisions for Term Bonds if designated by bidder)

Notice of any call or redemption, unless waived by the holders of the 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 Bonds, 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.

ASSIGNMENT

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

Please insert social security or other
identifying number of assignee

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

Dated: _____

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

- 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.

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 11 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. Earnings 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 when 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, shall not be commingled with any other monies of the City.

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 in order for the interest paid on the Bonds to be so excluded. The City makes the following specific covenants with respect to the Code:

- 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 names and addresses of the Bondowners as they appear 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. 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.

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

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. Bond Insurance. The City may apply for municipal bond insurance for the Bonds, and may expend Bond proceeds to pay any Bond insurance premium.

Section XXI. 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 XXII. 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.

Section XXIII. Defeasance. 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 direct obligations of, or obligations guaranteed by, the United States 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.

Section XXIV. 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 XXV. Sale of Bonds. The Recorder shall cause to be published in the Canby Herald, Canby, Oregon, and in the Daily Journal of Commerce, Portland, Oregon, notices of sale of the Bonds in the form substantially as shown on Exhibit A attached hereto and by this reference incorporated herein, or summaries, as provided by law. The Bonds shall be sold upon the terms provided in the attached Exhibit A. The Bonds shall be sold on the date and at the time and place stated in Exhibit A, unless the Mayor or City Manager establishes a different date, time, or place.

Section XXVI. 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.

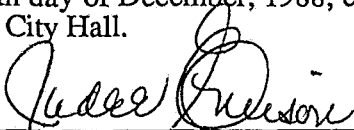
The City Manager is authorized and empowered to obtain a rating of the Bonds from Standard & Poor's Corporation, Moody's Investor Services, Inc., or such other similar credit rating agency as they shall determine.

The City Manager, and his designee, is authorized and empowered to obtain a policy of insurance, a letter of credit, or

any other form of enhancement of credit under the Bonds, to provide further assurance to bondowners of the payment of the principal and interest on the Bonds, and the payment of the sum or charge (if any) for the investment from the proceeds of the Bonds is authorized and approved.

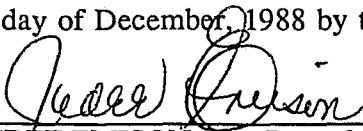
The Mayor, Recorder and the City Manager, and their designees, and other appropriate officers of the City shall be, and each of them is, authorized to execute and deliver on behalf of the City any and all additional certificates, documents or other papers and perform other acts (including, without limitation,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

SUBMITTED to the Wilsonville City Council and read the first time at a regular meeting thereof on the 21st day of November, 1988, and scheduled for a second reading at a regular meeting of the City Council on the 5th day of December, 1988, commencing at the hour of 7:30 o'clock p.m. at the Wilsonville City Hall.



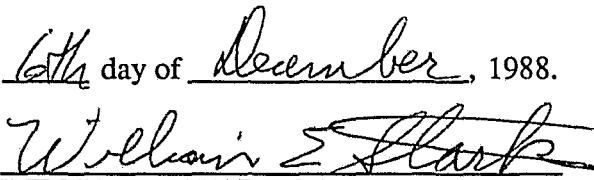
JUDEE EMISON, City Recorder Pro-Tem

ENACTED by the Council on the 5th day of December, 1988 by the following votes: AYES: 5 NAYS: 0.



JUDEE EMISON, City Recorder Pro-Tem

DATED and signed by the Mayor this 6th day of December, 1988.



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>

EXHIBIT A

OFFICIAL NOTICE OF BOND SALE

\$2,175,000
CITY OF WILSONVILLE
COUNTIES OF WASHINGTON AND CLACKAMAS
STATE OF OREGON
WATER SYSTEM REVENUE BONDS, SERIES 1988

NOTICE IS HEREBY GIVEN that sealed bids will be received on behalf of the City of Wilsonville, Washington and Clackamas Counties, Oregon (the "City"), for the purchase of its Water System Revenue Bonds, Series 1988 (the "bonds"), until 10:00 o'clock a.m. (Pacific Time) on Wednesday, December 7, 1988, at the offices of Lindsay, Hart, Neil & Weigler, Lawyers, Suite 1800, 222 S. W. Columbia Street, Portland, Oregon 97201-6618, at which time they will be publicly opened and announced.

The bids shall be considered and acted upon by the City within four hours.

ISSUE: The issue shall be in the aggregate principal amount of TWO MILLION ONE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$2,175,000), consisting of registered bonds in denominations of Five Thousand Dollars (\$5,000) or integral multiples thereof, all dated December 1, 1988.

INTEREST RATE: The maximum interest rate shall not exceed a true effective cost of ten percent (10%) per annum. Interest is payable semiannually on June 1 and December 1 of each year until maturity or prior redemption, commencing June 1, 1989. Bidders must specify the interest rate or rates which the bonds hereby offered for sale shall bear. The bids shall comply with the following conditions: (1) each interest rate specified in any bid must be a multiple of 1/8th or 1/20th of one percent (1%); (2) no bond shall bear more than one rate of interest; (3) each bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; (4) all bonds maturing at any one time shall bear the same rate of interest; (5) no rate of interest may exceed twelve percent (12%); and (6) the interest rate bid for any maturity shall not be less than the rate bid for any earlier maturity.

MATURITIES: The bonds shall mature serially in numerical order on the first day of December of each year as follows:

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
1989	\$55,000	2000	\$110,000
1990	60,000	2001	120,000
1991	60,000	2002	125,000
1992	65,000	2003	135,000
1993	70,000	2004	145,000
1994	75,000	2005	155,000
1995	80,000	2006	170,000
1996	85,000	2007	180,000
1997	90,000	2008	195,000
1998	95,000		
1999	105,000		

CHANGE IN PRINCIPAL AMOUNT AND MATURITIES: The Issuer may, at its option, insubstantially change the principal amount and serial maturities as stated herein to provide the cost of bond insurance.

REGISTRATION: The bonds will be issued in fully registered form, and may be exchanged at the expense of the City for similar bonds of different authorized denominations. Bonds may not be converted to bearer form.

OPTIONAL DESIGNATION OF TERM BONDS AND MANDATORY REDEMPTION: Bidders may designate no more than two term bonds. Term bonds must consist of two or more consecutive maturities, and must mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities. Term bonds shall be subject to mandatory redemption at par and by lot, in the amounts and on the dates of the consecutive maturities shown in the preceding section. If no term bonds are designated in the successful bid, the bonds will mature serially on the schedule indicated above.

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.

NOTICE OF REDEMPTION: Notice of any call for redemption, unless waived by the holders of the 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 Bonds, and otherwise given as required by law and the authorizing bond 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.

PAYMENT: Principal and interest are payable, either at maturity or upon earlier redemption, by check or draft through the principal corporate trust office of the registrar and paying agent of the City, which is currently United States National Bank in Portland, Oregon.

PURPOSE: The bonds are being issued to finance water system improvements including a new water storage reservoir, additional wells and water mainlines. The bonds were authorized pursuant to ORS 288.805 to 288.945, the Uniform Revenue Bond Act of the State of Oregon, and at an election held within the City on March 22, 1988.

SECURITY: The bonds are not general obligations of the City. Debt service is payable solely from the Net Operating Revenues of the water facilities as described in the authorizing ordinance of the City.

BOND INSURANCE: Application will be made for qualification of the bonds for debt service insurance. If the bonds qualify for municipal bond insurance, any purchase of such policy shall be at the sole option and expense of City. City shall announce its intention to purchase insurance by Munifax not less than 24 hours prior to the bid opening.

LEGAL OPINION: The approving opinion of Lindsay, Hart, Neil & Weigler, Lawyers, Portland, Oregon, will be provided at no cost to the purchaser and will be printed on the bonds at the expense of the City.

TAX EXEMPT STATUS: In the opinion of bond counsel, assuming compliance by the City with its covenants relating to the tax-exempt status of the bonds, interest on the bonds is excluded from gross income for federal tax purposes under present federal income tax laws (except for certain taxes on corporations). The bonds are not "private activity bonds" under Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond counsel expresses no opinion regarding other federal tax consequences arising with respect to the bonds.

Interest on the bonds is exempt from personal income taxation by the State of Oregon under present state law.

The City has the legal authority to comply with its covenants.

BANK PURCHASE: The City has designated the bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

BEST BID: The bonds will be awarded to the responsible bidder whose proposal will result in the lowest true interest

cost to the City. True interest cost will be determined by doubling the semiannual interest rate necessary to discount the debt service to December 1, 1988 and the price bid for the bonds. Each bidder is requested to supply the total interest cost and the true interest cost that the City will pay upon the issue if the bid is accepted. The purchaser must pay accrued interest, computed on a 360-day basis, from the date of the bonds to the date of delivery. The cost of printing the bonds will be paid by the City.

REOFFERING PRICE: Not less than three business days prior to closing, the successful bidder agrees to provide to the City and Bond Counsel a certificate stating its bona fide initial reoffering price to the public and sales of the bonds appropriate for determination of yield on the bonds under the Code. This certification shall constitute the agreement of the bidder to offer all bonds in each maturity for sale to the general public at a price no greater than the certified reoffering price until at least ten percent of the principal amount of each maturity is sold at a price less than or equal to the certified reoffering price to the general public. Failure to honor this agreement may result in cancellation of the sale and forfeiture of the bidder's good faith deposit.

DELIVERY: Delivery of the bonds will be made without cost to the successful bidder at such bank in the City of Portland, Oregon, as the successful bidder shall name. Payment for the bonds must be made in federal funds. Delivery of the bonds will be made within thirty days.

FORM OF BID: All bids must be for not less than all the bonds hereby offered for sale, and for not less than ninety-eight percent (98%) of the par value thereof and accrued interest to the date of delivery. Each bid together with bidder's check as herein specified must be enclosed in a sealed envelope addressed to the City and designated "Proposal for Bonds."

BID CHECK: All bids must be unconditional and accompanied by a certified or cashier's check on a bank doing business in the State of Oregon for FORTY-THREE THOUSAND FIVE HUNDRED DOLLARS (\$43,500) payable to the order of the City to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid. Checks will be forfeited to the City as liquidated damages in case the bidder to whom the bonds are awarded withdraws its bid or fails to complete its purchase in accordance with the terms thereof. No interest shall be allowed on the deposit but the check of the successful bidder will be retained as part payment of the bonds or for liquidated damages as described above. Checks of the unsuccessful bidders will be returned by the City promptly.

RIGHT OF REJECTION: The City reserves the right to reject any or all bids, and to waive any irregularities.

OFFICIAL STATEMENT: The City has prepared an official statement relating to the bonds, a copy of which will be furnished upon request to its financial advisor, Security Pacific Bank Oregon, Public Finance Department, 1001 S.W. Fifth Avenue, Portland, Oregon 97204, Telephone: 503-796-2655.

POTENTIAL BID: The financial advisor or its affiliate may submit a bid or participate in a bidding syndicate.

CUSIP: CUSIP numbers will be imprinted upon all bonds of this issue at the City's expense. Failure to print, or improperly imprinted numbers will not constitute basis for the purchaser to refuse to accept delivery.

NO LITIGATION: At the time of payment for the delivery of said bonds, the City will furnish the successful bidder a certificate that there is no litigation pending affecting the validity of the bonds.

FURTHER INFORMATION: Additional information regarding the City and this sale may be obtained from its financial consultant or from Vera A. Rojas, City Recorder, 30000 S.W. Town Center Loop E., P. O. Box 220, Wilsonville, Oregon 97070; telephone 503-682-1011.

Vera A. Rojas, City Recorder
CITY OF WILSONVILLE, OREGON