

CITY OF ALBANY, OREGON

Resolution No. 4938

(Master Sewer Revenue Bond Resolution)

ADOPTED: February 11, 2004

In the Matter of Providing for the Issuance of Not to Exceed \$3,500,000 City of Albany, Oregon, Sewer Revenue Refunding Bonds, Series 2004, Payable from the Net Revenues of the City's Sewer System to refund the City's Sewer Revenue Refunding Bonds, Series 1993.

RESOLUTION NO. 4938

A MASTER RESOLUTION PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF THE CITY OF ALBANY, OREGON SEWER REVENUE REFUNDING BONDS, SERIES 2004, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$3,500,000 AND RELATED MATTERS.

Section 1. Definitions

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

“1993 Bonds” shall mean the City’s Sewer Revenue Refunding Bonds, Series 1993, dated January 15, 1993 and issued in the original aggregate principal amount of \$5,985,000.

“2004 Bonds” shall mean the City’s Sewer Revenue Refunding Bonds, Series 2004 authorized pursuant to Section 2A of this Master Resolution.

“Act” shall mean ORS Chapter 288.

“Accreted Value” shall mean, as of the date of computation with respect to any Deferred Interest Obligations, an amount equal to:

- (a) the principal amount of such Deferred Interest Obligations (the issue price at the date of issuance), plus
- (b) the interest accrued on such Deferred Interest Obligations from the date of original issuance of such Deferred Interest Obligations to the Interest Payment Date next preceding the date of computation or the date of computation if an Interest Payment Date, such interest to accrue at an approximate rate per annum of the Deferred Interest Obligations, set forth in the Supplemental Resolution providing for the issuance of such Deferred Interest Obligations, compounded at such intervals as shall be specified in such Supplemental Resolution, plus
- (c) with respect to matters related to the payment upon redemption of such Deferred Interest Obligations, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of the original issuance) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

A table of Accreted Values for each Series of Bonds issued as Deferred Interest Obligations shall be incorporated in a Supplemental Resolution, relating to such Deferred Interest Obligations.

“Additional Bonds” means Bonds other than the 2004 Bonds issued pursuant to Section 10 of this Master Resolution and any Supplemental Resolution, which Additional Bonds shall be

secured on an equal and ratable (*pari passu*) basis with the 2004 Bonds with respect to the lien on the Trust Estate.

“Adjusted Net Revenues” shall have the meaning set forth for such term in Section 10A(6) hereof.

“Alternate Credit Facility” means any standby letter of credit, bond insurance policy, surety bond, bank bond purchase agreement or other similar Credit Facility provided pursuant to a Supplemental Resolution supporting payment of principal, interest and purchase price of one or more Series of Bonds and taking effect prior to the original stated expiration date of the then current letter of credit or Credit Facility.

“Annual Debt Service” shall mean the amount required to be paid in the then current or any succeeding Fiscal Year in respect of the principal or interest on any Outstanding Bonds and any Outstanding Subordinate Obligations, provided that:

- (a) there shall be credited against such sum any interest capitalized or otherwise payable from proceeds derived from the sale of such Bonds or Subordinate Obligations to the extent that the Master Resolution, Supplemental Resolution or other act of the City authorizing the issuance of such Bonds or Subordinate Obligations designates that the proceeds of such Bonds or Subordinate Obligations shall be applied to the payment of such interest;
- (b) the amount of Term Obligations subject to mandatory redemption in any Fiscal Year pursuant to a Mandatory Redemption Schedule shall be deemed to mature in the Fiscal Year in which such Term Obligations are subject to such mandatory redemption and only the principal amount of such Term Obligations scheduled to remain Outstanding on the final maturity date thereof shall be included in determining the Annual Debt Service for Bonds in the Fiscal Year in which such maturity date occurs;
- (c) for purposes of determining Annual Debt Service for the Outstanding Bonds which constitute Option Obligations, any such Option Obligations Outstanding at the time of such determination shall be assumed to mature on their stated dates of maturity; provided that if such Option Obligations are subject, without contingency, to scheduled mandatory redemption on specific determinable dates and in specific amounts, then such Option Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;
- (d) for purposes of computing Annual Debt Service on Outstanding Bonds which constitute Deferred Interest Obligations, only that portion of the Accreted Value becoming due at maturity or by virtue of scheduled mandatory redemption prior to maturity with respect to such Bonds shall be included in the calculations of accrued and unpaid interest and principal requirements; and
- (e) for purposes of determining the Reserve Requirement and for purposes of the rate covenant contained in Section 9 hereof and the certificate required by Section 10A(5)(a) or 10A(5)(b) of this Master Resolution, Annual Debt Service or Maximum Annual Debt Service shall be computed by assuming that Variable Rate Obligations shall be deemed to bear interest at all times to maturity thereof at the

Estimated Average Interest Rate applicable thereto and if such Variable Rate Obligations are subject, without contingency, to scheduled mandatory redemption on specific or determinable dates and in specific amounts, then such Variable Rate Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption.

“Audit” means the audit required by ORS 297.425.

“Auditor” means a person authorized by the State Board of Accountancy to conduct municipal audits pursuant to ORS 297.670.

“Base Period” means any twelve consecutive months out of the most recent twenty-four months preceding the delivery of a Series of Bonds proposed to be issued.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP or any other law firm appointed as bond counsel to the City and having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

“Bond Insurance Policy” means a municipal bond insurance policy insuring the payment of principal and interest on all or a portion of the Bonds issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, (i) are rated in one of the two highest rating categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability, or (ii) by issuing its policies such insurance company or insurance companies causes obligations insured thereby to be rated in one of the two highest Rating Categories.

“Bond Insurer” means the provider of a Bond Insurance Policy.

“Bondowner” or “Owner” means a registered Owner of a Bond.

“Bondowners Committee” means that committee as provided in Section 14 hereof.

“Bond Purchase Agreement” means the Purchase Agreement under which Bank of America, N.A. agrees to purchase the 2004 Bonds from the City.

“Bond Purchaser” means the purchaser of a Series of Bonds issued pursuant to this Master Resolution or a Supplemental Resolution.

“Bond Registrar” or “Registrar” means the paying agent and registrar designated by the City.

“Bonds” or “Bond” means the 2004 Bonds and any Additional Bonds (including any Derivative Products) issued pursuant to this Master Resolution or a Supplemental Resolution with an equal and ratable (*pari passu*) lien on the Trust Estate.

“Book-Entry Only System” means a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed and which shall not be a day on which the New York Stock Exchange is closed.

“Certificate of City” or “City Certificate” means a certificate executed on behalf of the City by the Manager.

“Charter” means the City Charter.

“City” means the City of Albany, Oregon.

“City Council” means the Council of the City.

“Code” means the Internal Revenue Code of 1986, as amended together with the rules and regulations promulgated thereunder and amendments thereto.

“Construction Activity” means the construction account created and established pursuant to Section 7 of this Master Resolution.

“Credit Agreement” shall mean an agreement with a Credit Provider pursuant to which a Credit Facility is issued or given as security for all or a portion of a particular Series of Bonds or an agreement with an insurer, or other guarantor pursuant to which a Credit Facility is given as security for the City's obligations under the Bonds.

“Credit Facility” shall mean a letter of credit, a municipal Bond Insurance Policy, a surety bond, standby bond purchase agreement or other credit enhancement device given, issued or posted as security for one or more Series of Bonds, including any Alternate Credit Facility and any Reserve Credit Facility.

“Credit Provider” shall mean the person or entity, if any, providing a Credit Facility as security for a Series of Bonds.

“Current Interest Obligations” shall mean those Bonds which bear interest payable periodically on specified or determinable dates prior to the maturity or redemption dates thereto, including any Deferred Interest Obligations from and after the date upon which interest becomes payable on a periodic basis prior to the maturity thereof, all as so designated in a Supplemental Resolution providing for the issuance or incurrence of such Bonds, and which may be either Serial or Term Obligations including Variable Rate Obligations and Option Obligations.

“Debt Service Activity” means the account of that name created and established pursuant to Section 7 of this Master Resolution.

“Default” or “Event of Default” means any event specified in Section 14 of this Master Resolution.

“Defeasance Obligations” means cash or non-callable, non-prepayable investments described in paragraphs (a), (f) and (g) of the definition of Permitted Investments in Section 1A of this Master Resolution.

“Deferred Interest Obligations” shall mean those Bonds for which interest is compounded periodically on each of the applicable periodic dates designated for compounding and payable in an amount equal to the then current Accreted Value only at the maturity or earlier redemption thereof, all as so designated by the Manager pursuant to Section 18 hereof or as otherwise provided in a Supplemental Resolution of the City providing for the issuance thereof, including any Bonds (or Subordinate Obligations, as applicable) which accrue and compound interest thereon as aforesaid for a period of time, after which periods such Bonds (or Subordinate Obligations, as applicable) commence having interest on a periodic basis and convert into Current Interest Obligations.

“Depository” or “DTC” means The Depository Trust Company, New York, New York, or any other qualified securities depository designated by the City as its successor.

“Derivative Facility” shall have the meaning set forth for such term in Section 12 hereof.

“Derivative Product” shall have the meaning set forth for such term in Section 12 hereof.

“Estimated Average Interest Rate” means:

- (a) for the purpose of the rate covenant in Section 9 hereof and for the purposes of calculating Annual Debt Service for the City Certificate required by Section 10A(5)(a) of this Master Resolution:
 - (i) as to any Outstanding Bonds during any period in which such Bonds are Variable Rate Obligations:
 - (1) to the extent such Variable Rate Obligations have been Outstanding for a period of 12 months or more, the weighted average rate of interest applicable to such Bonds during the immediate preceding 12-month period; or
 - (2) to the extent such Variable Rate Obligations have not been Outstanding for a period of 12 months or more, the higher of:
 - (A) the most current actual interest rate on such Variable Rate Obligations; or
 - (B) 100% of the most recently published interest rate for municipal bonds with similar terms and credit ratings published in *The Bond Buyer*, and
- (b) for the purposes of calculating Annual Debt Service for the certificate required by Section 10A(5)(b) of this Master Resolution:
 - (i) for Bonds that have and have not been Outstanding for 12 months or more:
 - (1) the most current actual interest rate on such Variable Rate Obligations; or
 - (2) 100% of the most recently published interest rate for Fixed Rate municipal bonds with similar terms and credit ratings published in *The Bond Buyer*.

- (ii) for any bonds which have been authorized or incurred but have not yet been issued or incurred, 100% of the most recently published interest rate for municipal bonds with similar terms and credit ratings published in *The Bond Buyer*.

“Financial Advisor” means Regional Financial Advisors, Inc., the City’s independent financial advisor for the 2004 Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by State Law.

“Funds and Accounts” means all funds, activities, accounts and subaccounts created by the City and affirmed or established pursuant to Section 7 hereof.

“Gross Revenues” means all fees, charges and other revenues from the operation of the System, including, without limitation, system development charges, other moneys required to be placed in the Funds and Accounts created pursuant to this Master Resolution, and any interest earnings thereon. The term “Gross Revenues” does not include the interest income or other earnings derived from the investment of the rebate account, if any, or any escrow fund established for the defeasance or refunding of outstanding indebtedness of the City. The term “Gross Revenues” does not include:

- (a) any gifts, grants, donations or other moneys received by the City from any State or Federal agency or other person if such gifts, grants, donations or other moneys are the subject of any limitation or reservation;
 - (i) imposed by the donor or grantor or
 - (ii) imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Gross Revenues hereunder;
- (b) the proceeds of any borrowing for capital improvements;
- (c) the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues);
- (d) the proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the System;
- (e) the proceeds derived from the sales of assets pursuant to paragraph A7 of Section 11 of this Master Resolution;
- (f) ad valorem taxes received by the City which are, at any time, pledged, designated or dedicated to other debt or obligations of the City;
- (g) any income, fees, charges, receipts, profits or other moneys derived by the City from its ownership or operation of any Separate Utility System provided that a Qualified Consultant has certified that in their opinion the acquisition or construction or operation of such Separate Utility System will not result in a reduction of the Net Revenues below the amounts covenanted by Section 9 hereof to be produced; or

(h) assessment payments for local improvement districts.

“Interest Payment Date” means, with respect to the 2004 Bonds and with respect to a particular Series of Bonds, any date upon which interest on and/or principal of such Series is due and payable in accordance with the terms thereof, whether at maturity or upon redemption or prepayment prior to maturity.

“Manager” means the City Manager, the Assistant City Manager/Chief Financial Officer, or either person’s authorized designee.

“Mandatory Redemption Schedule” shall mean with respect to particular Bonds, the schedule pursuant to which the principal portions thereof howsoever designated are subject, without contingency, to mandatory redemption or prepayment prior to maturity, all as set forth in this Master Resolution (with respect to the 2004 Bonds) and in the Supplemental Resolution pursuant to which Additional Bonds are issued.

“Master Resolution” means this Master Resolution adopted on February 11, 2004.

“Maximum Annual Debt Service” means the greatest Annual Debt Service, calculated on all Bonds and Derivative Products, if any, which are Outstanding on the date of calculation.

“Minimum Authorized Denomination” shall mean with respect to a particular Bond, the minimum denomination in which such Bond is permitted to be issued as set forth in the Supplemental Resolution authorizing the issuance of such Bond.

“Moody's” shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns.

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

“NRMSIR’s” means such nationally recognized municipal securities information repository that shall be recognized as such by the Security and Exchange Commission under Rule 15c2-12.

“Operating Expenses” means all expenses incurred for operation, maintenance and repair of the System, 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), in lieu of franchise fees, legal and engineering expenses relating to the System, payments and reserves for pension, retirement, health, hospitalization, taxes and sick leave benefits, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the System. Operating Expenses do not include:

- (a) any rebates or penalties paid from Gross Revenues under Section 148 of the Code;
- (b) payments for the settlement of litigation and payments to any liability reserve fund;
- (c) depreciation and amortization of property, values or losses, and all amounts treated for accounting purposes as payments for capital expenditures;
- (d) debt service payments (including amounts treated for accounting purposes as debt service payments);

- (e) the expenses of owning, operating or maintaining any Separate Utility System;
- (f) the amounts treated for generally accepted accounting principles as capital transfers and capital outlays including without limitation transfers to capital construction accounts.

“Opinion of Bond Counsel” means an opinion in writing of Bond Counsel addressed to the City substantially to the effect that the action proposed to be taken is authorized or permitted by the laws of the State and the Resolution or other such action will not adversely affect the validity of the Bonds under the laws of the State or the exclusion from gross income for federal income tax purposes of interest on the Bonds to the extent such Bonds were issued as Tax-Exempt Obligations.

“Option Obligations” shall mean, with respect to a particular Series of Bonds (or Subordinate Obligations, as applicable), Bonds which by their terms may be tendered by and at the option of the Owner for purchase prior to the stated maturity thereof.

“ORS” means the Oregon Revised Statutes.

“Outstanding Bonds” means all Bonds authorized and delivered pursuant to this Master Resolution and any Supplemental Resolution except Bonds theretofore canceled or defeased pursuant to Section 16 of this Master Resolution.

“Outstanding Subordinate Obligations” means all Subordinate Obligations except Subordinate Obligations theretofore canceled or defeased in accordance with the law of the State and the documents governing such Subordination Obligations.

“Paying Agent” means the paying agent, if any, selected by the City Council or the Manager to act as paying agent and registrar of a particular series of Bonds.

“Permitted Investments” means the following to the extent the same are legal for investments of funds of the City and are consistent with the adopted investment policy of the City as it may be amended from time to time:

- (a) any bonds or other obligations for which principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including obligations of any of the federal agencies set forth in clause (b) below to the extent unconditionally guaranteed by the United States;
- (b) obligations of the:

- Export-Import Bank of the United States,
- Government National Mortgage Association,
- Federal National Mortgage Association,
- Federal Financing Bank,
- Farmers Home Administration,
- Federal Housing Administration,
- Private Export Funding Corporation,
- Federal Home Loan Bank, and
- Federal Home Loan Mortgage Bank,

or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;

- (c) legally issued direct and general obligations of the states of Oregon, Washington, Idaho or California, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided, that at the time of their purchase, such obligations are rated in one of the two highest rating categories by both Moody's and S&P, or in the event each of such rating agencies rates such obligations by each of them;
- (d) certificates of deposit, whether negotiable or non-negotiable, issued by any bank, savings and loan association, or trust company which maintain a head office or branch in the State, provided that such certificates of deposit shall be
 - (i) continuously and fully insured by the Federal Deposit Insurance Corporation, or
 - (ii) continuously and fully secured by such securities as are described above in clauses (a) or (b), which shall have a market value (exclusive of accrued interest at all times at least equal to the principal amount of such certificates of deposit or
 - (iii) certificates of deposit 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 S&P and "P-1" by Moody's;
- (e) any written repurchase agreement with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation, or with any brokerage dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by direct obligations of the United States of America or of federal agencies as set forth in clause (b) above, and provided further that
 - (i) such collateral is held by the City or its agent or trustee during the term of such repurchase agreement,
 - (ii) such collateral is not subject to liens or claims of third parties,
 - (iii) such collateral has a market value (determined at least once weekly at least equal to 100% of the amount invested in the repurchase agreement,
 - (iv) the City or its agent or trustee has a perfected first security interest in the collateral,
 - (v) the failure to maintain such collateral at the level required in (iii) above will require the City or its agent or trustee to liquidate the collateral;
- (f) Refunded Municipals;
- (g) REFCORP debt obligations unconditionally guaranteed by the United States;

- (h) banker's acceptances with commercial banks that have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P or "P-1" by Moody's, or in the event each of such rating agencies rates such obligations, by each of them, and that mature no more than 360 days after the date of purchase;
- (i) investments in either (i) the state investment fund established pursuant to ORS 293.701(q), the local government investment pool provided under ORS 294.805 to 294.895, or the investment pool authorized by ORS 293.822 to 293.824; or
- (j) any investments or investment agreements permitted under the laws of the State of Oregon as amended from time to time, and as long as the Bonds are insured by the Credit Provider, such investments or investment agreements approved by the Credit Provider.

"Principal Payment Date" means any date on which any Bonds are scheduled to be retired, whether by virtue of their maturity or by mandatory sinking fund redemption prior to maturity.

"Project" means the acquisition of real and personal property, and additions, replacements, expansions or improvements to the City's sewer system, and any, and all equipment and appurtenances necessary, useful or convenient thereto, which may be lawfully financed with the proceeds of the Bonds.

"Qualified Consultant" means an independent engineer, an independent auditor, or an independent financial advisor, or similar independent professional consultant of nationally recognized standing and having experience and expertise in the area for which such person or firm is retained by the City for purposes of performing activities specified in this Master Resolution or any Supplemental Resolution.

"Rating Agency" shall mean:

- (a) with respect to any Bonds which, at the request of the City, are then rated by S&P, S&P;
- (b) with respect to any Bond which, at the request of the City, are then rated by Moody's, Moody's; and
- (c) with respect to any Bonds rated which, at the request of the City are then rated by any other financial rating service, such financial rating service; provided that when used with respect to a Reserve Credit Facility, the term "Rating Agency" shall mean S&P, Moody's, or any other nationally recognized financial rating agency, including but not limited to such agencies that rate the claims-paying ability of insurance companies.

"Record Date" shall mean:

- (a) with respect to the 2004 Bonds, the date which is the fifteenth (15th) day of the month preceding the month in which each Interest Payment Date occurs, whether or not a Business Day, and

- (b) with respect to a particular Series of Bonds, such date or dates established by the Supplemental Resolution pursuant to which such Series of Bonds is issued.

“Redemption” shall mean any mandatory, extraordinary or optional redemption or prepayment of any Bond.

“Redemption Price” shall mean, with respect to any Bond, the amount payable upon the redemption or prepayment thereof prior to maturity, including the principal of, premium (if any) and accrued or accreted interest thereon.

“Refundable Bonds” shall mean all or any portion of the outstanding 1993 Bonds.

“Refunded Municipals” shall mean pre-refunded municipal obligations meeting the following conditions:

- (a) the obligations are not callable prior to maturity or the trustee has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instruction;
- (b) the obligations are secured by cash or Defeasance Obligations which may be applied only to interest, principal, and premium payments of such obligations;
- (c) the obligations are rated in the highest rating category by Moody's or S&P, or in the event each of such rating agencies has rated such obligations, by each of them;
- (d) the principal and interest of the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the obligations, which sufficiency has been verified by an independent public accountant;
- (e) the Defeasance Obligations serving as security for the obligations are held by an escrow agent or a trustee; and
- (f) the Defeasance Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

“Remarketing Agent” shall mean with respect to a particular Series of Bonds, the person or entity designated to act in such capacity with respect to such Series of Bonds pursuant to the Supplemental Resolution under which such Bonds are issued.

“Reserve Account” means the City of Albany, Oregon Sewer Revenue Debt Service Reserve Account that may be created and established pursuant to Section 7 of this Master Resolution with respect to Additional Bonds.

“Reserve Credit Facility” shall mean a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Reserve Requirement and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) is rated within one of the two highest rating categories by each Rating Agency rating, at the request of the City, the Series of Bonds in connection with which such Reserve Credit Facility is being given or provided.

“Reserve Requirement” means, for any Series of Bonds, the lesser of: the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year such Series will be outstanding; 125% of average amount of principal, interest and premium, if any, required to be paid on such Series during all Fiscal Years in which such Series will be outstanding, calculated as of the date of issuance of such Series; or ten percent (10%) of the proceeds of such Series, as proceeds is defined for purposes of Section 148(d) of the Code.

“S&P” means Standard & Poor's Ratings Group, its successors and their assigns.

“Separate Utility System” means utility properties and assets, real and personal, tangible and intangible, which are declared, resolved or found by the City Council to constitute a system which is distinct from the System at the time they are financed.

“Serial Obligations” means, with respect to a particular Series of Bonds, the portions of such Series which shall be stated to mature or become due and payable serially in annual installments but not including Term Obligations.

“Series” or “Series of Bonds” means all of the Bonds issued, authenticated and delivered pursuant to this Master Resolution or a Supplemental Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to this Master Resolution or such Supplemental Resolution regardless of variations in maturity, interest rate or other provisions.

“Settlement Date” means the last Business Day of each week.

“State” shall mean the State of Oregon.

“Subordinate Obligations” means Loan Agreement number R10510 dated May 5, 1992 and Loan Agreement number R10511 dated June 26, 2003 between the City and the Department of Environmental Quality, and any revenue bonds or other obligations of the City (including Derivative Projects) issued pursuant to any Supplemental Resolution and which are secured by and payable from the Trust Estate on a subordinate basis in relation to the Bonds.

“Subordinate Obligations Activities” means the account of that name created and established pursuant to Section 7 of this Master Resolution.

“Supplemental Resolution” shall mean any resolution supplemental to or amendatory of this Master Resolution, entered into by the City in accordance with this Master Resolution.

“Sewer Fund” means the Fund of that name created and described in Section 7 of this Master Resolution.

“System” means all real and personal property now or hereafter owned, operated, used, or maintained by the City for management, conveyance, treatment, and disposal of wastewater or stormwater within or without the corporate limits of the City.

“Tax Covenants” shall mean with respect to Tax-Exempt Obligations the covenants of the City to comply with the Code to ensure the initial and continued exclusion from gross income for federal income tax purposes of the interest on such Bonds.

“Tax-Exempt Obligation” shall mean any Bond, the interest on which is excluded from gross income for federal income tax purposes.

“Taxable Obligation” shall mean any Bond, the interest on which is included in gross income for federal income tax purposes.

“Tender Agent” shall mean with respect to a particular Series of Bonds, the person or entity designated to act in such capacity with respect to such Series of Bonds pursuant to the Supplemental Resolution under which such Bonds are issued.

“Term Obligations” shall mean the portion of a Series of Bonds (or Subordinate Obligations, as applicable) which shall be slated to mature on one date and which are subject to scheduled mandatory redemption prior to maturity pursuant to a Mandatory Redemption Schedule.

“Trust Estate” shall mean the Trust Estate pledged to secure payment of Bonds as described in Section 2C.

“Variable Rate Obligations” shall mean any Bonds, which may be either Serial Obligations, Term Obligations, Deferred Interest Obligations or Option Obligations, issued with a variable, adjustable, convertible, or other similar interest rate which is not fixed for the entire term thereof at the date of issue or is not, as of the date of issuance, determinable by percentage through maturity.

“Verification Agent” means the Verification Agent appointed by the City pursuant to Section 18D(10) herein, to provide verification services in connection with the Refundable Bonds.

Section 2. The Series 2004 Bonds and Pledge

Pursuant to the Act, and to provide sufficient funds to refund the City’s 1993 Bonds, the City Council hereby authorizes and directs the issuance of the City of Albany, Oregon Sewer Revenue Refunding Bonds, Series 2004 (the “2004 Bonds”) in an aggregate principal amount of \$2,835,000. The 2004 Bonds shall be sold pursuant to a competitive sale, negotiated sale or private placement, as determined by the Manager.

- A. The 2004 Bonds shall be issued in the form of a single bond as a fully amortizing, serial loan with interest, calculated on a 30/360-day basis, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2004 at the interest rates and with the following annual principal payments as follows:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Rate</u>
August 1, 2004	\$445,000.00	2.65%
August 1, 2005	450,000.00	2.65%
August 1, 2006	465,000.00	2.65%
August 1, 2007	475,000.00	2.65%
August 1, 2008	495,000.00	2.65%
August 1, 2009	505,000.00	2.65%

The 2004 Bonds shall be executed on behalf of the City with the manual or facsimile signature of the Mayor and attested to by the manual or facsimile signature of the City Manager, Assistant City Manager/Chief Financial Officer or City Recorder.

- B. Principal and interest on the 2004 Bonds shall be payable by the City to Bank of America, N.A. ("Bank of America"), as Bond Purchaser of the 2004 Bonds. The 2004 Bonds shall be special obligations of the City and shall be payable solely from the Trust Estate as provided by this Master Resolution. Bank of America shall not transfer, sell, assign or otherwise dispose of or convey any of its ownership or interest in the 2004 Bonds; provided, however, it may transfer or assign the 2004 Bonds to a successor entity arising from a merger, consolidation or other reorganization.
- C. As security for the payment of the principal, interest and premium (if any) on all Outstanding Bonds, the City hereby pledges to the Registered Owners of the Bonds all of the City's right, title and interest in the following:
 - (i) the Net Revenues;
 - (ii) the moneys and investments (including investment earnings thereon) on deposit in the Debt Service Activity (except a rebate account, if any) and the Reserve Account (if established pursuant to Section 7 hereof), including without limitation the City's right, title and interest in any Reserve Credit Facility (and any moneys drawn or paid thereunder) given with respect to meeting the Reserve Requirement on a particular Series of Bonds;
 - (iii) any Credit Facility other than a Reserve Credit Facility given as security for the payment of any amounts owing on any Bonds (and any moneys drawn or paid thereunder); provided that such Credit Facility secures only those Bonds for which it was given; and
 - (iv) such other properties and assets as may be hereafter pledged to the payment of Bonds pursuant to any Supplemental Resolution or which may be delivered, pledged, mortgaged or assigned by any person as security for Bonds.

The foregoing is referred to herein as the "Trust Estate."

Pursuant to ORS 288.594, the pledge of the Trust Estate hereby made by the City shall be valid and binding from the time of the adoption of this Master Resolution. The Trust Estate so pledged and hereafter received by the City shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of the pledge shall be superior to all other claims and liens whatsoever (except for the lien of the Bonds) to the fullest extent permitted by ORS 288.594(2).

Section 3. Book-Entry Only System

- A. The 2004 Bonds will not be issued as a book-entry only security. Additional Bonds may be initially issued as a book-entry only security issue with no Additional Bonds being made available to the Bondowners pursuant to the terms of the Blanket Issuer Letter of Representations (the "Letter of Representations") dated September 28, 1995 executed and delivered by the City to the Depository Trust Company, as the Depository.

Ownership of the Additional Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on The Depository Trust Company Book-Entry Only System. The 2004 Bonds shall be initially issued in the form of a single, fully registered, typewritten Bond in substantially the form attached hereto as Exhibit A, payable to the Bond Purchaser of the 2004 Bonds. Any Additional Bonds may be issued in the form of separate single fully registered typewritten Bonds for each maturity of the Additional Bonds (the "Global Bonds") in substantially the form attached hereto as Exhibit B.

Each Global Bond shall be registered in the name of CEDE & CO. as nominee (the "Nominee") of The Depository Trust Company ("DTC") (DTC and any other qualified securities depository designated by the City as a successor to DTC, collectively the "Depository") as the "Registered Owner," and such Global Bonds shall be lodged with the Depository until early redemption or maturity of the Bond issue. The Bond Registrar shall remit payment for the maturing principal and interest on the Additional Bonds to the Bondowner for distribution by the Nominee for the benefit of the Owners (the "Beneficial Owner" or "Record Owner") by recorded entry on the books of the Depository participants and correspondents. While the Additional Bonds are in book-entry-only form, the Additional Bonds will be available in denominations of \$5,000 or any integral multiple thereof.

B. In the event:

- (1) the Depository determines not to continue to act as securities depository for the Additional Bonds, or
- (2) the City determines that the Depository shall no longer so act,

then the City will discontinue the Book-Entry Only System with the Depository. If the City fails to designate another qualified securities depository to replace the Depository or elects to discontinue use of a book-entry-only system, the Additional Bonds shall no longer be a book-entry-only issue but shall be registered in the registration books maintained by the Bond Registrar in the name of the Bondowner as appearing on the Bond register and thereafter in the name or names of the Bondowners of the Additional Bonds transferring or exchanging Additional Bonds.

C. With respect to Additional Bonds registered in the registration books maintained by the Bond Registrar in the name of the Nominee of the Depository, the City and the Bond Registrar shall have no responsibility or obligation to any participant or correspondent of the Depository or to any Registered Owner on behalf of which such participants or correspondents act as agent for the Bondowner with respect to:

- (1) the accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the Additional Bonds;
- (2) the delivery to any participant or correspondent or any other person, other than an Bondowner as shown in the registration books maintained by the Bond Registrar, of any notice with respect to the Additional Bonds, including any notice of prepayment;
- (3) the selection by the Depository of the beneficial interest in Additional Bonds to be redeemed prior to maturity; or

- (4) the payment to any participant, correspondent, or any other person other than the Bondowner of the Additional Bonds as shown in the registration books maintained by the Bond Registrar, of any amount with respect to principal of or interest on the Additional Bonds.
- D. Notwithstanding the Book-Entry Only System, the City may treat and consider the Beneficial Owner in whose name each Additional Bond is registered in the registration books maintained by the Bond Registrar as the Bondowner and absolute Owner of such Additional Bond for the purpose of payment of principal and interest with respect to such Additional Bond, or for the purpose of giving notices of redemption and other matters with respect to such Additional Bond, or for the purpose of registering transfers with respect to such Additional Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal and interest on the Additional Bonds only to or upon the order of the Registered Owner, as shown in the registration books maintained by the Bond Registrar, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.
- E. Upon delivery by the Depository to the City and to the Bondowner of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this Master Resolution shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Bond Registrar. The Depository shall tender the Additional Bonds it holds to the Bond Registrar for reregistration.

Section 4. Redemption of Bonds

- A. Prepayment. The 2004 Bonds may not be prepaid prior to August 1, 2006. From August 1, 2006 and thereafter, the 2004 Bonds may be prepaid, in whole or in part, on any interest payment date without premium.
- B. Additional Bonds. Additional Bonds hereafter issued pursuant to Section 10 of this Master Resolution shall be subject to redemption as provided in an authorizing Supplemental Resolution.

Section 5. Authentication, Registration, Payment, Exchange and Transfer

- A. No Additional Bond shall be entitled to any right or benefit under this Master Resolution unless it shall have been authenticated by an authorized officer of the Registrar. The Registrar shall authenticate all Additional Bonds to be delivered at closing, and shall additionally authenticate all Additional Bonds properly surrendered for exchange or transfer pursuant to this Master Resolution.
- B. All Bonds shall be in registered form. The Manager is hereby authorized to appoint a Registrar for the Additional Bonds. A successor Registrar may be appointed for any Series or all of the Additional Bonds by 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 Additional Bonds shall be entered in the Bond register maintained by the Registrar and the City and Registrar may treat the person listed as Owner in the Bond register as the Owner of the Additional Bond for all purposes.
- D. In the event the Additional Bonds are no longer a book-entry only security issue, the Registrar shall mail or cause to be delivered each interest payment on the Interest Payment Date (or the next Business Day if the Interest Payment Date is not a Business Day) to the name and address of the Bondowner, as that name and address appear on the Bond register as of the Record Date. If payment is so mailed or delivered, neither the City nor the Registrar shall have any further liability to any party for such payment.
- E. In the event the Additional Bonds are no longer a book-entry only security issue, Additional Bonds may be exchanged for an equal principal amount of Additional Bonds of the same maturity which are in different authorized denominations, and Additional 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 Additional Bonds to be exchanged or transferred.
- F. In the event the Additional Bonds are no longer a book-entry only security issue, the Registrar shall not be required to exchange or transfer any Additional Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following the payment date.
- G. In the event the Additional Bonds are no longer a book-entry only security issue, the Registrar shall not be required to exchange or transfer any Additional Bonds which have been designated for redemption if such Additional Bonds are submitted to it during the fifteen-day period preceding the designated redemption date.
- H. For purposes of this Section 5, Additional Bonds shall be considered submitted to the Registrar on the date the Registrar actually receives the materials described in Section 5E.
- I. In the event any Additional Bond is mutilated, lost, stolen or destroyed, the Registrar may issue a new Additional Bond of like maturity, interest rate and denomination if the asserted Owner of such Additional Bond provides to the Registrar and the City an affidavit, certificate or other reliable proof that the Registrar or the City reasonably finds protects the City from conflicting claims for payment under the Additional Bond. The Registrar may waive the requirements of ORS 288.420 and the City may waive the requirement of ORS 288.430 with respect to such Additional Bond.
- J. 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 6. Disposition of 2004 Bond Proceeds

- A. The 2004 Bond proceeds shall be disbursed as follows:
- (1) Interest accrued from the date of the 2004 Bonds until the date of closing shall be placed in the Debt Service Activity to pay a portion of the interest due on the 2004 Bonds.
 - (2) The amount necessary to refund the Refundable Bonds shall be wired to BNY Western Trust Company, as paying agent of the Refundable Bonds.
 - (3) The balance of the 2004 Bond proceeds shall be placed in the Construction Activity and shall be disbursed to finance the costs incurred in connection with the issuance of the 2004 Bonds.
- B. Monies in the Construction Activity may be invested in Permitted Investments. Earnings from investment of the funds in the Construction Activity shall be maintained in the Sewer Fund, shall be treated and disbursed as 2004 Bond proceeds, and shall be invested at a yield that complies with the Tax Covenants.

Section 7. Bond Funds and Accounts

- A. The following Funds and Accounts are hereby affirmed, created or established. The City of Albany, Oregon Sewer Fund created by the City (the "Sewer Fund"), shall include a Debt Service Activity, Construction Activities (which includes the subaccount entitled Sewer Bond Projects Activity), a Reserve Account and a Subordinate Obligations Activities.

All Gross Revenues shall be deposited, as and when received by the City, in the Sewer Fund. The Sewer Fund shall be held and administered by the City separate and distinct from the City's general fund and any other funds or accounts of the City, and the Gross Revenues shall be applied in accordance with Section 8 of this Master Resolution.

- B. The City shall deposit into the Debt Service Activity from the Sewer Fund or the Reserve Account money sufficient to make payments in accordance with Section 8 of this Master Resolution.
- (1) The Debt Service Activity created by this Master Resolution is for the purpose of paying the principal of, premium, if any, and interest on the Bonds.
 - (2) 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 Revenues into the Debt Service Activity: Not less than seven (7) Business Days prior to an Interest Payment Date, the City will deposit into the Debt Service Activity an amount equal to the amount necessary to pay in full the Bond interest, principal, and premium, if any, then coming due (whether by reason of maturity, redemption or tender otherwise); if the City fails to make such a deposit into the Debt Service Activity not less than seven (7) Business Days prior to an Interest Payment Date, the City covenants to notify promptly the Paying Agent of such failure. Prepayment of deposits will fulfill this requirement. The City shall deposit into the Debt Service Activity from the Net Revenues an amount sufficient to permit all interest due on the Bonds to be paid on the date on which such interest is due.

- (3) Notwithstanding the provisions set forth in Section 7B(2) above and in lieu thereof, this Section 7B(3) shall govern transfers to the Debt Service Activity with respect to the accreted interest on any Bonds that constitute Deferred Interest Obligations. With respect to the Bonds of any Series that constitute Deferred Interest Obligations, then for purposes of this Section 7B(3) accreted interest thereon shall be treated as principal coming due on the stated maturity date thereof or date upon which such Deferred Interest Obligations are required to be redeemed pursuant to a mandatory redemption schedule, and transfers with respect to such accreted interest (as well as the principal of such Deferred Interest Obligations) shall be made at the times and in the amounts provided in Section 7B(2) hereof.
- C. The 2004 Bonds are not subject to a Reserve Requirement. If the City elects in a Supplemental Resolution to have a Reserve Requirement with respect to Additional Bonds, the Reserve Account established pursuant to such Supplemental Resolution shall be administered as follows:
- (1) On July 1 of each year, so long as any Bonds remain Outstanding, determine that the balance in the Reserve Account will at least equal the Reserve Requirement for each Series of Additional Bonds. If the amount on deposit in the Reserve Account is less than the Reserve Requirement, the deficiency shall be eliminated from payments for such purpose available from the Sewer Fund in proportionate monthly amounts so that the Reserve Requirement for the Additional Bonds is achieved within twelve months from the date of any deficiency. In the event the amount on deposit in the Reserve Account is more than the Reserve Requirement on July 1 or any date specified in paragraph C(3) of this Section 7, any such excess may be transferred by the City to the Sewer Fund. The balance in the Reserve Account shall include, in addition to cash deposits and deposits of Additional Bond proceeds, the face amount of any Reserve Credit Facility. In lieu of or in addition to depositing cash or Permitted Investments to the Reserve Account, the City may from time to time deposit a Reserve Credit Facility to the Reserve Account.
 - (2) Monies in the Reserve Account may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds, but no such Permitted Investments shall result in a yield that would violate the provisions of Section 148 of the Code. If Permitted Investments mature later than one year from the date of purchase, then the City shall value such Permitted Investments at the lower of cost or market. Earnings from investment of the funds in the Reserve Account shall be allocated to the Reserve Account, and shall be invested at a yield that complies with the Tax Covenants.
 - (3) If, on any date upon which any amounts of principal of or interest on the Bonds are due and payable, the amounts on deposit in the Debt Service Activity when added to moneys drawn or available to be drawn under any Credit Facility (other than a Reserve Credit Facility) for such purpose, are insufficient to pay all amounts of principal of, premium (if any) and interest on the Outstanding Bonds due on such date, then the City shall withdraw from the Reserve Account in the order of priority set forth below, an amount equal to such deficiency and apply the amount so withdrawn to the payment of the amounts of principal, premium (if any) and interest due on the Outstanding Bonds on such date.

Withdrawals from the Reserve Account shall be made in the following order of priority:

First, from any cash on deposit in the Reserve Account;

Second, from the liquidation proceeds of any Permitted Investments made from moneys on deposit in the Reserve Account; and

Third, from moneys drawn or paid under any Reserve Credit Facility or pro-rata from moneys drawn or paid under several such Reserve Credit Facilities.

- (4) The amounts on deposit in the Reserve Account shall be determined by the City (a) as of July 1 of each year, (b) as of the date of issuance of any Additional Bonds hereunder, and (c) as of the date of any withdrawal from the Reserve Account.
- (5) All amounts on deposit in the Reserve Account which are allocable to a particular Series of Bonds may be applied to the final payment (whether at maturity, by prior Redemption or by means of a defeasance as provided in Section 16 hereof) of Outstanding Bonds of that Series.
- (6) Any Supplemental Resolution authorizing the issuance of a Series of Additional Bonds may require a deposit into the Reserve Account, of an amount sufficient to make the balance in the Reserve Fund at least equal to the Reserve Requirement, which deposit may be in the form of cash, Permitted Investments or a Reserve Credit Facility.

The deposit required by Section 7C(6) may be made in not more than five annual installments, with the final installment due not later than the fifth anniversary of the issuance of the Series of Additional Bonds. If the City elects to fund the portion of the Reserve Requirement which is allocable to a Series of Additional Bonds in installments, the election and the schedule for such deposits shall be stated prominently in the proceedings authorizing the Series of Additional Bonds.

- D. A portion of the 2004 Bond proceeds shall be deposited to the Construction Activity according to Section 6A(3) hereof to pay costs of issuance for the 2004 Bonds. Upon the issuance of any Additional Bonds, the City shall deposit into the Construction Activity (or any subaccount thereof) the amounts required to be deposited therein pursuant to the Supplemental Resolution authorizing the issuance of such Additional Bonds. Amounts on deposit in the Construction Activity upon the issuance of Additional Bonds may be applied to pay costs of improvements to the City's System (as defined by this Master Resolution or any Supplemental Resolution). Upon completion of such improvements, the balance in the particular subaccount of the Construction Activity relating to those improvements in excess of the amount held for the purpose of paying costs of such improvements (i) may be transferred to the Debt Service Activity, and (ii) unless such Bonds are Taxable Obligations, shall be invested at a yield that complies with the Tax Covenants.
- E. In accordance with Section 6A(2) hereof, portions of the 2004 Bond proceeds shall be deposited with BNY Western Trust Company as paying agent of the Refundable Bonds.
- F. The Manager may establish such additional funds, activities, accounts and subaccounts within any of the Funds and Accounts created and established by this Master Resolution for the purpose of identifying more precisely the sources of payments into and disbursements from such funds, activities, accounts and subaccounts. The establishment of any such additional funds, activities, accounts or subaccounts shall not alter any of the requirements of this

Master Resolution with respect to the deposit or use of moneys in any fund, activity, account or subaccount hereunder.

- G. The City shall make deposits into the Subordinate Obligations Activities in the amounts and on the dates required by the documents or Supplemental Resolution governing such Subordination Obligations; provided that deposits from Gross Revenues shall be in accordance with the priority set forth in Section 8 of this Master Resolution.

Section 8. Deposit and Use of Gross Revenues

- A. All Gross Revenues (other than interest earnings on the Construction Activity) shall be deposited to and maintained in the Sewer Fund. As long as any Bonds or Derivative Products remain Outstanding, monies and investments in the Sewer Fund shall be used solely to pay the following amounts in the following order:
- (1) To pay Operating Expenses;
 - (2) To credit the Debt Service Activity to pay interest, principal, premium, if any, next maturing or coming due on the next Interest Payment Date or pursuant to any Mandatory Redemption Schedule;
 - (3) To reimburse the Credit Provider for any amounts advanced under a Reserve Credit Facility so long as the Reserve Requirement for each Series of Outstanding Bonds is secured by a Reserve Credit Facility;
 - (4) To make all payments required to be made into the Reserve Account to maintain the Reserve Requirement for and to secure the payment of any Outstanding Bonds;
 - (5) To credit the Subordinate Obligations Activities to make all payments required to be made with respect to any Subordinate Obligations;
 - (6) To pay rebates or penalties to the federal government pursuant to the Tax Covenants or credit a rebate account with respect to any Bonds;
 - (7) To retire by optional redemption or purchase in the open market any Outstanding Bonds or other revenue obligations of the City as authorized in Supplemental Resolutions of the City authorizing their issuance;
 - (8) To make appropriate additions, betterments, improvements and repairs to or extension and replacements of the System, or any other lawful City purposes; and
 - (9) To pay any other costs or expenses of the System.
- B. Subordinate Obligations issued pursuant to any Supplemental Resolution shall be payable from and secured by the Trust Estate only after payments made pursuant to Sections 8A(1) through (4), inclusive; provided, however, that any Series of Subordinate Obligations also may be payable from and secured by a Credit Facility pledged specifically to or provided for those Subordinate Obligations.

Section 9. Rate Covenant

- A. The City covenants for the benefit of the Owners of all Bonds that it will charge rates and fees in connection with the operation of the System which, when combined with other Gross Revenues and after having provided for Operating Expenses, are adequate to generate Net Revenues in each Fiscal Year at least equal to the sum of (a) 1.25 times Annual Debt Service due in that Fiscal Year for Bonds including system development charges and 1.15 times Annual Debt Service due in that Fiscal Year for Bonds excluding system development charges, plus (b) 1.00 times Annual Debt Service due in that Fiscal Year for any Subordinate Obligations (after subtracting Annual Debt Service from Net Revenues due in that Fiscal Year for Bonds), plus (c) any amounts owed by the City to the provider of a Reserve Credit Facility obtained by the City pursuant to Section 18C hereof pertaining to Additional Bonds. If the Net Revenues fail to meet this level, the City will promptly increase its rates and fees (or reduce expenses) to a level so that Net Revenues are projected to meet the required level. For Additional Bonds, the City will demonstrate its compliance with the provisions of this Section 9A by providing a report to the nationally recognized municipal securities information repositories (NRMSIR'S), if any, certified by the City's Auditor, and prepared at the time of the delivery of the City's year-end audit. This report will demonstrate the City's compliance with this covenant, or the methods by which the City intends to achieve compliance with this covenant.
- B. [RESERVED]
- C. Nothing under Section 9A shall prohibit the City from revising its rate structure to prescribe special incentive rates and fees for new and existing commercial and industrial users of the System.
- D. The Manager shall annually, within six (6) months after the close of each Fiscal Year, prepare a City Certificate based on the City's audited financial statements for such Fiscal Year showing for the preceding Fiscal Year (i) Net Revenues, (ii) the Annual Debt Service for Bonds for such Fiscal Year, and (iii) the Annual Debt Service for any Subordinate Obligations for such Fiscal Year. If the Certificate shows that such Net Revenues fail to meet the requirements of Section 9A of this Master Resolution, then the Manager shall prepare a Certificate of the City stating in effect that changes in operating procedures or revisions in rates can and will be made which, in the opinion of such signatory, would have resulted in greater Net Revenues sufficient to satisfy the requirements of Section 9A of this Master Resolution, together with a copy of a resolution, adopted by the City Council and certified of the City, authorizing and directing that such changes or revisions be effectuated as promptly as possible, but in no event in greater than ninety (90) days from the date of the City Certificate.

Section 10. Additional Bonds

- A. The City may issue Additional Bonds to provide funds for any purpose relating to the System which is authorized by law, but only upon the following conditions:
- (1) No Default under this Master Resolution or any Supplemental Resolution has occurred and is continuing.

- (2) At the time of the issuance of the Bonds there is no deficiency in the Reserve Account, if such account has been established, and Net Revenues are not less than one hundred percent (100%) of any Reserve Credit Facility costs due and owing by the City.
- (3) Except as provided in this paragraph (3), the Supplemental Resolution authorizing the issuance of the Additional Bonds may require that a deposit be made at closing sufficient to bring the balance in the Reserve Account, if any, equal to the Reserve Requirement for all Outstanding Bonds, including the proposed Series of Additional Bonds. The Supplemental Resolution authorizing the issuance of Additional Bonds may provide that the City may make deposits to the Reserve Account over a period that is not in excess of a five-year period following the date of delivery of such Additional Bonds. For purposes of Section 10A(2) of this Master Resolution, no deficiency shall be deemed to exist in the Reserve Account as a result of the application of the preceding sentence.
- (4) The Supplemental Resolution authorizing the issuance of the Additional Bonds contains a covenant requiring the City to charge rates and fees sufficient to generate Net Revenues equal to the amount described in Section 9 of the Master Resolution, including the proposed Additional Bonds.
- (5) There shall have been filed with the City either:
 - (a) a certificate of the Manager stating that, in the Base Period preceding the delivery of the Additional Bonds then proposed to be issued, (i) Net Revenues including system development charges are not less than one hundred twenty-five percent (125%) of the sum of the average Annual Debt Service on all Outstanding Bonds during the Base Period and the average Annual Debt Service on the Additional Bonds then proposed to be issued; and (ii) Net Revenues in the Base Period excluding system development charges are not less than one hundred fifteen percent (115%) of the sum of average Annual Debt Service on all Outstanding Bonds during the Base Period and the average Annual Debt Service on the Additional Bonds then proposed to be issued. For purposes of the preceding sentence, in the event that any adjustment in the rates, fees and charges for the services of the System shall be effective on or before the date of the delivery of such Series of Additional Bonds, the Manager shall reflect in his or her certificate the Net Revenues he or she calculates would have been collected in the Base Period if such new rates, fees and charges had been in effect for the entire Base Period; or
 - (b) a certificate of the Qualified Consultant setting forth:
 - (i) the amount of the Adjusted Net Revenues computed as provided in Section 10A(6) below for the five Fiscal Years succeeding the date of delivery of the Additional Bonds, then proposed to be issued, or, if capitalized interest is used, five Fiscal Years after the last capitalized interest payment;
 - (ii) the debt service on all Outstanding Bonds and the average Annual Debt Service for each maturity of the Series of Additional Bonds then proposed to be issued, and stating that the amount shown in paragraph (1) above for each of the five Fiscal Years succeeding the date of delivery of the Additional Bonds, then proposed to be issued, or, if capitalized interest is used, five Fiscal Years after the last capitalized interest payment is (1) not less than the sum of one hundred and

twenty-five percent (125%) of the average Annual Debt Service on all Outstanding Bonds and the average Annual Debt Service on the Series of Additional Bonds then proposed to be issued, including system development charges in Adjusted Net Revenues; and (2) not less than one hundred fifteen percent (115%) of the sum of average Annual Debt Service on all Outstanding Bonds and the average Annual Debt Service on the Additional Bonds then proposed to be issued, excluding system development charges from Adjusted Net Revenues.

- (6) For the purposes of the certificate required by paragraph A(5)(b) of this Section 10, "Adjusted Net Revenues" shall be computed by the Qualified Consultant by adjusting the Net Revenues for the period certified pursuant to paragraph A(5)(b) of this Section 10 by any or all of the following conditions and requirements as may be appropriate to the circumstances:
- (a) if the Additional Bonds are being issued for the purpose of acquiring operating sewage system utility properties having an earnings record, the Qualified Consultant shall estimate the effect on the Net Revenues for the period certified pursuant to paragraph A(5)(b) of this Section 10 of the acquisition of such sewage system utility properties and the integration thereof into the System, and shall adjust the Net Revenues for the period certified pursuant to paragraph A(5)(b) of this Section 10 to give effect to such estimate. Any such estimate shall be based on the statements and records relating to the earnings of such sewage system utility properties to be acquired;
 - (b) if any changes in rates and charges have been adopted by the City Council and which
 - (i) are in effect on the date of delivery of the Additional Bonds, or
 - (ii) are legally authorized by State statutory and constitutional provisions and are to go into effect not later than twelve months after such date, the Qualified Consultant may, if such changes result in increases in such rates and charges, and shall, if such changes result in reductions in such rates and charges, adjust the Net Revenues for the period certified pursuant to paragraph A(5)(b) of this Section 10 to reflect any change in such Net Revenues during that period certified pursuant to paragraph A(5)(b) of this Section 10;
 - (c) if there are forecast to be any customers added to the System during the period certified pursuant to paragraph A(5)(b) of this Section 10 or thereafter and prior to the date of the Qualified Consultant's certificate, the Net Revenues may be adjusted to reflect the added revenues paid by such added customers;
 - (d) if extensions of or additions to the System are in the process of construction on the date of the Qualified Consultant's certificate, or if the proceeds of the Additional Bonds being issued are to be used to acquire or construct extensions of or additions to the System, the Net Revenues for the period certified pursuant to paragraph A(5)(b) of this Section 10 may be adjusted by adding any additional revenues not included in the preceding paragraphs that will be derived from such additions and extensions and deducting the estimated increase in operating and maintenance expenses resulting from such additions and extensions.

- (7) There shall have been delivered to the City an opinion of Bond Counsel, to the effect that the Additional Bonds are valid and binding obligations of the City and that the issuance of the Additional Bonds shall not cause the interest paid on any Bonds (other than Taxable Obligations) then Outstanding to become subject to federal income taxation.
- B. The City may issue Additional Bonds to refund Outstanding Bonds, notwithstanding the requirements of Section 10A, if the Annual Debt Service of the Refunding Bonds does not exceed the Annual Debt Service for the refunded Bonds payable in any Fiscal Year by more than \$5,000.
- C. All Additional Bonds issued in accordance with this Section 10 shall have a lien on the Trust Estate that is equal to the lien of the Bonds issued in accordance with this Master Resolution or any Supplemental Resolution.

Section 11. General Covenants

- A. (1) Within 210 days after the end of each of its Fiscal Years, the City shall provide the Bond Purchaser of the 2004 Bonds with a copy of each final, annual audited financial statements for the City while any amounts remain outstanding under the 2004 Bonds.
- (2) While any amounts remain outstanding under the 2004 Bonds the City shall give prompt notice to the Bond Purchaser of the 2004 Bonds of (i) any litigation or proceeding in which it is a party if an adverse decision would require the City to pay more than \$1,000,000.00, or deliver assets the value of which exceeds \$1,000,000.00, in excess of the amount that the claim is considered to be covered by insurance and which would materially affect the ability of the City to pay principal and interest on the 2004 Bonds; and (ii) the existence of any substantial dispute with any governmental authority which may materially and adversely affect the City's ability to meet its financial obligations under the 2004 Bonds.
- (3) The City shall provide the Bond Purchaser of the 2004 Bonds with each annual budget for the City which is adopted, within 45 days after adoption, while any amounts remain outstanding under the 2004 Bonds.
- B. The City hereby covenants and agrees with the Owners of all Outstanding Bonds as follows:
 - (1) That it will promptly cause the principal, premium, if any, and interest on the Bonds to be paid as they become due in accordance with the provisions of this Master Resolution and any Supplemental Resolution.
 - (2) That it will maintain complete books and records relating to the operation of the System and all City funds and accounts 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 by the Auditor and made available for the inspection of Bondowners.
 - (3) That it will not issue Bonds or other obligations having a claim superior to the claim of the Bonds upon the Trust Estate.

- (4) That it will promptly deposit into all Funds and Accounts all sums required to be so deposited.
- (5) That it will operate the System in a sound, efficient and economic manner.
- (6) That it will at all times maintain with responsible insurers all such insurance on the System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the System is damaged or destroyed, such part will be restored to use or will be replaced. The money collected from insurance against accident to or destruction of the System will be used for repairing or rebuilding or replacing the damaged or destroyed System, and to the extent not so applied, will be applied to the payment or redemption of the Bonds on a pro rata basis, and for such purpose paid into the Debt Service Activity.

Any such insurance must be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or in the form of self-insurance by the City. The City shall establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.

- (7) The City will not, nor will it permit others to sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the System except:
 - (a) The City may dispose of all or substantially all of the System, provided that simultaneously the City shall cause all of the Bonds to be, or deemed to be, no longer Outstanding.
 - (b) Except as provided below, the City will not dispose of any part of the System in excess of 5% of the value of the System in service unless prior to such disposition:
 - (i) there has been filed with the City a certificate of a Qualified Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenants contained in Section 9 of this Master Resolution; or
 - (ii) provision is made for the payment, redemption or other defeasance of a principal amount of Bonds equal to the greater of the following amounts:
 - (1) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding (defined as the total principal amount of Bonds then Outstanding less the amount of cash and investments in the Debt Service Activity) that the Gross Revenues attributable to the part of the System sold or disposed of for the 12 preceding months bears to the total Gross Revenues for such period; or
 - (2) An amount which will be in the same proportion to the net principal amount of Bonds then Outstanding that the book value of the part of the System sold or disposed of bears to the book value of the System immediately prior to such sale or disposition.
 - (c) Notwithstanding any other provision of this Section 11, the City may dispose of any portion of the System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the System.

- (d) If the ownership of all or part of the System is transferred from the City through the operation of law, the City shall to the extent authorized by law, reconstruct or replace such transferred portion using any proceeds of the transfer unless the City Council reasonably determines that such reconstruction or replacement is not in the best interest of the City and the Bondowners, in which case any proceeds shall be used for the payment, redemption or defeasance of Bonds.

Section 12. Derivative Products

A. The City may enter into Derivative Products on a parity with the Bonds subject to the conditions provided in this Section 12. For purposes of this Master Resolution the following terms have the following meanings:

- (1) "City Payment" means any payment required to be made by or on behalf of the City under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.
- (2) "Derivative Facility" means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for the City's obligations under one or more Derivative Products.
- (3) "Derivative Payment Date" means any date specified in the Derivative Product on which a City Payment is due and payable under the Derivative Product.
- (4) "Derivative Product" means a written contract or agreement between the City and a third party that has at least an investment grade rating from a Rating Agency (the "Reciprocal Payor,") which provides that the City's obligations thereunder will be conditioned on the absence of: (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and
 - (a) under which the City is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the City Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the City, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;
 - (b) for which the City's obligations to make City Payments may be secured by a pledge of and lien on the Net Revenues on an equal and ratable basis with the Outstanding Bonds;
 - (c) under which Reciprocal Payments are to be made directly into the Debt Service Activity;
 - (d) for which the City Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product; and
 - (e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a formula set forth in the Derivative Product.

- (5) "Derivative Product Account" means the Derivative Product Account, if any, created and established under Section 12B(4) hereof.
 - (6) "Reciprocal Payment" means any payment to be made to, or for the benefit of the City under a Derivative Product by the Reciprocal Payor.
 - (7) "Reciprocal Payor" means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.
- B. The following shall be conditions precedent to the use of any Derivative Product on a parity with the Bonds under this Master Resolution.
- (1) General Parity Tests. The Derivative Product must satisfy the requirements for Additional Bonds described in Sections 10 of this Master Resolution.
 - (2) Opinion of Bond Counsel. The City shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by this Master Resolution or the applicable provisions of any Supplemental Resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Outstanding Tax-Exempt Obligations.
 - (3) Payments. Each Derivative Product shall set forth the manner in which the City Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.
 - (4) Supplemental Resolution to Govern Derivative Products. Prior to entering into a Derivative Product, the City shall execute a Supplemental Resolution, which shall:
 - (a) create and establish a Derivative Product Account or provide for some other way to account for the use of a Derivative Product within the Debt Service Activity; establish general provisions for the retention of Net Revenues in amounts sufficient to make, when due, City Payments;
 - (b) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and
 - (c) set forth such other matters as the City deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of this Master Resolution.

Except as may be otherwise provided in the Supplemental Resolution establishing the Derivative Product Account, additional Supplemental Resolutions may be delivered pursuant to Section 16 of this Master Resolution in connection with any Derivative Product.

Section 13. Maintenance of Tax-Exempt Status

- A. The City covenants for the benefit of the Owners of all Tax-Exempt Obligations to comply with all provisions of the Code which are required for Tax-Exempt Obligation interest to be excluded from gross income for federal taxation purposes, unless the City obtains an opinion

of Bond Counsel that such compliance is not required for the interest paid on the Tax-Exempt Obligations to be so excluded. The City makes the following specific covenants with respect to the Code:

- (1) The City will not take any action or omit any action if it would cause the Tax-Exempt Obligations to become arbitrage bonds under Section 148 of the Code.
- (2) The City shall operate the facilities financed with the Tax-Exempt Obligations (or shall cause such facilities to be operated) so that the Tax-Exempt Obligations which were not issued as “private activity bonds” within the meaning of Section 141 of the Code do not become private activity bonds.
- (3) The City shall comply with appropriate reporting requirements.
- (4) The City shall pay, when due, all rebates and penalties with respect to the Tax-Exempt Obligations which are required by Section 148(f) of the Code.

The covenants contained in this Section 13 and any covenants in the closing documents for the Tax-Exempt Obligations shall constitute contracts with the Owners of the Tax-Exempt Obligations, and shall be enforceable by them.

Section 14. Defaults and Remedies

- A. **Events of Default.** The City Council of the City hereby finds and determines that the continuous operation of the System and the collection, deposit and disbursement of the Net Revenues in the manner provided in this Master Resolution and in any Supplemental Resolution are essential to the payment and security of the Bonds and Derivative Products (if any), and the failure or refusal of the City to perform the covenants and obligations contained in this Master Resolution or any such Supplemental Resolution will endanger the necessary continuous operation of the System and the application of the Net Revenues to the purposes set forth in this Master Resolution.
- B. The City hereby covenants and agrees with the purchasers and Owners from time to time of the Bonds, to protect and safeguard the covenants and obligations undertaken by the City securing the Bonds, that the following shall constitute “Events of Default”:
 - (1) If default shall be made in the due and punctual payment of the principal of and premium, if any, on any of the Bonds when the same shall become due and payable, either at maturity, tender or by proceedings for redemption or otherwise;
 - (2) If default shall be made in the due and punctual payment of any installment of interest on any Bonds whether scheduled or payable by reason of redemption or tender;
 - (3) If the City shall default in the observance and performance of any other of the covenants, conditions and agreements on the part of the City contained in this Master Resolution, and such default or defaults shall have continued for a period of ninety (90) days after the City shall have received from the Bondowners Committee or from the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding, a written notice specifying the Event of Default and demanding the cure of such default;

- (4) If the City shall (except as herein permitted) sell, transfer, assign or convey any properties constituting the System or interests therein, or any part or parts thereto or shall make any agreement for such sale or transfer (except as expressly authorized by Section 11A(7) hereof);
- (5) If an order, judgment or decree shall be entered by any court of competent jurisdiction:
 - (a) appointing a receiver, trustee or liquidator for the City or the whole or any part of the System;
 - (b) approving a petition filed against the City seeking the bankruptcy, arrangement or reorganization of the City under any applicable law of the United States or the State; or
 - (c) assuming custody or control of the City or of the whole or any part of the System under the provisions of any other law for the relief or aid of debtors and such order judgment or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated within sixty (60) days from the date of the entry of such order, judgment or decree; or
- (6) If the City shall:
 - (a) admit in writing its inability to pay its debts generally as they become due;
 - (b) file a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law;
 - (c) make an assignment for the benefit of its creditors;
 - (d) consent to the appointment of a receiver of the whole or any part of the System; or
 - (e) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the City or of the whole or any part of the System.

C. Appointment of Trustee. During the continuance of an Event of Default, the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding may call a Bondowners meeting for the purpose of electing a Bondowners Committee. Such meeting shall be called and the proceedings hereof shall be conducted in the manner provided in Section 15 hereof.

- (1) At such meeting the Bondowners present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Bondowners, to the Bondowners Committee which shall act as trustee for all Bondowners, and the Bondowners Committee as such trustee may have and exercise all the rights and powers provided for in this Master Resolution to be exercised by the Bondowners Committee. The Bondowners present in person or by proxy at said meeting, or at any adjourned meeting thereof shall prescribe the manner in which the successors of the persons elected to the Bondowners Committee at such Bondowners meeting shall be elected or appointed, and may prescribe rules and regulations governing the exercise by the

Bondowners Committee of the powers conferred upon it herein and may provide for the termination of the existence of the Bondowners Committee. The members of the Bondowners Committee elected by the Bondowners in the manner herein provided, and their successors, as a committee are hereby declared to be trustees for the Owners of all the Bonds then outstanding, and are empowered to exercise in the name of the Bondowners Committee as trustee, all the rights and powers hereinafter conferred on the Bondowners Committee.

D. Books of City Open to Inspection.

- (1) The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the City and all other records relating to the System shall at all reasonable times be subject to the inspection and use of the Bondowners Committee and any persons holding at least twenty percent (20%) of the principal amount of Outstanding Bonds and their respective agents and attorneys.
- (2) The City covenants that if the Event of Default shall happen and shall not have been remedied, the City will continue to account, as a trustee of an express trust, for all Net Revenues and other moneys, securities and funds pledged under the Master Resolution.

E. Payment of Funds to Bondowners Committee.

- (1) The City covenants that if an Event of Default shall happen and shall not have been remedied, the City upon demand of the Bondowners Committee, shall, if it is then lawful to do so, pay over to the Bondowners Committee
 - (a) forthwith, all moneys, securities and funds then held by the City and pledged under the Master Resolution, and
 - (b) as promptly as practicable after receipt thereof, all Gross Revenues.

F. Possession by Bondowners Committee of Properties of System; Receivership.

- (1) At any time after the occurrence of an Event of Default and prior to the curing of such Event of Default the Bondowners Committee, as a matter of right against the City, shall, to the extent permitted by law, be entitled to take possession and control of the business and properties of the System. Upon taking such possession, the Bondowners Committee shall operate and maintain the System, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for the System, collect the Gross Revenues, and perform all of the agreements and covenants contained in all contracts which the City is at the time obligated to perform. At any such time and if permitted by law the Bondowners Committee shall be entitled to the appointment of a receiver of the business and property of the System, of the moneys, securities and funds of the City pledged under the Master Resolution, and of the Gross Revenues, and of the income therefrom, with all such powers as the court or courts making such appointment shall confer, including the power to perform and enforce all contracts, to the same extent that the City shall then be entitled and obligated to do. Notwithstanding the appointment of any receiver, the Bondowners Committee shall be entitled to retain possession and control of and to collect and receive income from any moneys, securities, funds and

Gross Revenues deposited or pledged with it under the Master Resolution or agreed or provided to be delivered to or deposited or pledged with it under the Master Resolution.

G. Application of Funds by Bondowners Committee.

- (1) During the continuance of an Event of Default, the Gross Revenues received by the Bondowners Committee, whether pursuant to the provisions of the preceding paragraph, or as the result of taking possession of the business and properties of the System, shall be applied by the Bondowners Committee, first to the payment of the reasonable and proper charges, expenses and liabilities paid or incurred by the Bondowners Committee (including the cost of securing the services of any engineer or firm of engineers selected for the purpose of rendering advice with respect to the operation, maintenance, repair and replacement of the System necessary to prevent any loss of Gross Revenues, and with respect to the sufficiency of the rates and charges for services and products sold, furnished or supplied by the System), and thereafter in accordance with the priorities established in Section 8 hereof.
- (2) In the event that at any time the funds held by the Bondowners Committee and the Paying Agents for the Bonds shall be insufficient for the payment of the principal of, premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption and all Gross Revenues and other moneys received or collected for the benefit or for the account of Owners of the Bonds by the Bondowners Committee shall be applied as follows:

First, to the payment to the persons entitled thereto of all installments of interest then due on Bonds in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments or interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities first, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Third, to the payment to the persons entitled thereto of all installments of interest then due on Subordinate Obligations in the order of the maturity of such installments, earliest maturities first, and, if the amount available shall not be sufficient to pay in full any installment or installments or interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Fourth, to the payment to the persons entitled thereto of the unpaid principal and premium, if any, of any Subordinate Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, earliest maturities

first, and, if the amount available shall not be sufficient to pay in full all the Subordinate Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

H. Relinquishment of Possession and Funds upon Remedy of Default.

- (1) If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses, and liabilities of the Bondowners Committee and the Owners of Bonds, their respective agents and attorneys, and all other sums payable by the City under the Master Resolution including the principal of, premium, if any, and accrued unpaid interest on all Bonds which shall then be payable, shall either be paid by or for the account of the City, or provision satisfactory to the Bondowners Committee shall be made for such payment, and all defaults under the Master Resolution or the Bonds shall be made good or secured to the satisfaction of the Bondowners Committee or provision deemed by the Bondowners Committee to be adequate shall be made therefor, the Bondowners Committee shall relinquish possession and control of the System and pay over to the City all moneys, securities, funds and Gross Revenues then remaining unexpended in the hands of the Bondowners Committee and thereupon all Gross Revenues shall thereafter be applied as provided in Section 8 of this Master Resolution. No such payment over to the City by the Bondowners Committee or resumption of the application of Gross Revenues as provided in Section 8 of this Master Resolution shall extend to or affect any subsequent default under the Master Resolution or impair any right consequent thereon.

I. Suits at Law or in Equity.

- (1) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Bondowners Committee by its agents and attorneys, shall be entitled and empowered to proceed forthwith to take such necessary steps and institute such suits, actions and proceedings at law or in equity for the collection of all sums due in connection with the Bonds and to protect and enforce the rights of the Owners of the Bonds under the Master Resolution, for the specific performance of any covenant herein contained or in aid of the execution of any power herein granted, or for an accounting against the City as trustee of an express trust, or in the enforcement of any other legal or equitable right as the Bondowners Committee, being advised by counsel, shall deem most effectual to enforce any of the rights of the Owners of the Bonds.
- (2) Any action, suit or other proceedings instituted by the Bondowners Committee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of this Master Resolution may be enforced by the Bondowners Committee without the possession of any of said Bonds, and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law, and the respective Owners of said Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners Committee the true and lawful trustee of the respective Owners of said Bonds, the authority to institute any such action, suit or proceeding, to receive as trustee and deposit in trust any sums becoming distributable on account of said Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Bondowner himself might have done in person, provided however, that nothing

herein contained shall be deemed to authorize or empower the Bondowners Committee to consent to, accept or adopt, on behalf of any Owner of Bonds, any plan of reorganization or adjustment affecting the said Bonds of the City or any right of any Owner thereof, or to authorize or empower the Bondowners Committee to vote the claims of the Owners hereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City shall be a party; and provided further, however, that any Bondowner or Bondowners may by mutual agreement transfer title to the Bonds held by him or them to the Bondowners Committee, or may by agreement with other Bondowners create or organize a separate trustee or Bondowners Committee and may confer upon the Bondowners Committee or such separate trustee or Bondowners Committee, such powers and duties as such agreement or agreements shall provide, and the provisions of this Master Resolution shall not be construed as a limitation on the powers and duties which consenting Bondowners may by agreement confer on the Bondowners Committee or such separate trustee or Bondowners Committee. The Bondowners Committee shall have full power of substitution and delegation in respect to any of the powers hereby granted.

J. Direction of Actions of Bondowners Committee.

The Owners of not less than a majority in aggregate principal amount of the Bonds that are the subject of a Bondowners Committee at the time Outstanding, may direct the time, method and place of conducting any proceeding for any remedy available to the Bondowners Committee, or exercising any trust or power conferred upon the Bondowners Committee, provided that the Bondowners Committee shall be provided with reasonable security and indemnity and shall have the right to decline to follow any such direction only if the Bondowners Committee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or (11) if the Bondowners Committee in good faith shall determine that the action or proceeding so directed would involve the Bondowners Committee in personal liability or that the action or proceeding so directed would be unjustly prejudicial to the Owners of Bonds not parties to such direction.

K. Suits by Individual Bondowners.

- (1) No Owner of any one or more of the Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of any provision of the Master Resolution or the execution of any trust under the Master Resolution or for any remedy under the Master Resolution, unless an Event of Default shall have happened and be continuing, and unless no Bondowners Committee has been created as herein provided, but unless no Bondowners Committee has been created as herein provided, but any remedy herein authorized to be exercised by the Bondowners Committee, except the right to take possession of the Gross Revenues and properties of the System, but including the right to the appointment of a receiver of the business and properties of the System, may be exercised individually by any Bondowner, in his own name and on his own behalf or for the benefit of all Bondowners, in the event no Bondowners Committee has been created, or with the consent of the Bondowners Committee, if such Bondowners Committee has been created; provided, however, that nothing contained in the Master Resolution or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of, premium, if any, and interest on the Bonds to the respective Owners thereof or affect or impair the rights of action, which are also absolute and unconditional, of any Owner to enforce the payment of these Bonds, or to reduce to

judgment his claim against the City for the payment of the principal of and interest on his Bonds, without reference to, or the consent of, the Bondowners Committee or any other Owner of Bonds.

L. Waivers of Default.

- (1) No delay or omission of the Bondowners Committee or of any Owner of Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Article to the Bondowners Committee or to the Owners of Bonds may be exercised from time to time and as often as may be deemed expedient by the Bondowners Committee or by such Owners.
- (2) The Bondowners Committee or the Owners of not less than fifty percent (50%) in principal amount of the Bonds that are the subject of the Bondowners Committee and are at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds that are the subject of the Bondowners Committee waive any past default under the Master Resolution with respect to such Bonds and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

M. Remedies Granted in Master Resolution Not Exclusive.

No remedy by the terms of the Master Resolution conferred upon or reserved to the Bondowners Committee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Master Resolution or existing at law or in equity or by statute on or after the date of adoption of the Master Resolution.

Section 15. Bondowners Meetings

A. Call of Bondowners Meetings.

- (1) The City, the Bondowners Committee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding may at any time call a meeting of the Owners of the Bonds. Every such meeting shall be held at such place in the City of New York, State of New York, or in the City of Portland, State of Oregon, as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and time of the meeting and in general terms the business to be transacted, shall be mailed to the Bondowners by the City, the Bondowners Committee or the Bondowners calling such meeting not less than thirty (30) nor more than sixty (60) days before such meeting, and shall be published at least once a week for four (4) successive calendar weeks on any day of the week, the date of first publication to be not less than thirty (30) nor more than sixty (60) days preceding the meeting; provided, however, that the mailing of such notice shall in no case be a condition precedent to the validity of any action taken at any such meeting. The expenses of publication of such notice shall be paid or reimbursed by the City. The list of Bondholders' names and addresses maintained by the Registrar may only be released by the City. Any meeting of

Bondowners shall, however, be valid without notice if the Owners of all Bonds then Outstanding are present in person or by proxy or if notice is waived before or within thirty (30) days after the meeting by those not so present.

B. Notice to Bondowners.

- (1) Except as otherwise provided in this Master Resolution, any provision in this Master Resolution for the mailing of a notice or other paper to Bondowners shall be fully complied with if it is mailed by first class mail, postage prepaid, to each registered Owner of any of the Bonds then outstanding at his address, if any, appearing upon the Bond Register; and any provision in this Master Resolution contained for publication of a notice or other matter shall require the publication thereof in The Bond Buyer in the City of New York, State of New York (or in lieu of publication in The Bond Buyer, in a daily newspaper printed in the English language and customarily published on each business day of general circulation in the Borough of Manhattan, the City of New York, State of New York, and also in a daily newspaper printed in the English language and customarily published on each business day and of general circulation in the City of Albany, State of Oregon).

C. Proxies; Proof of Ownership of Bonds.

- (1) Attendance and voting by Bondowners at such meetings may be in person or by proxy. Owners of Bonds may, by an instrument in writing under their hands, appoint any person or persons, with full power and substitution as their proxy to vote at any meeting for them. Officers or nominees of the City may be present or represented at such meeting and take part therein but shall not be entitled to vote thereat, except as such officers or nominees are Bondowners or proxies for Bondowners.
- (2) Any registered Owner of Bonds shall be entitled in person or by proxy to attend and vote at such meeting as Owner of the Bonds registered in his name without producing such Bonds, and such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting. All proxies presented at such meeting shall be delivered to the Inspectors of Votes and filed with the Secretary of the meeting.
- (3) The vote at any such meeting of the Owner of any Bond entitled to vote thereat shall be binding upon such Owner and upon every such subsequent Owner of such Bond (whether or not such subsequent Owner has notice thereof).

D. Execution of Instruments by Bondowners.

- (1) Any request, direction, consent or other instrument in writing required or permitted by this Master Resolution to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Bondowners in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this Master Resolution if made by either
 - (a) an acknowledgment executed by a notary public or other officer empowered to take acknowledgements of deeds to be recorded in the particular jurisdiction, or

- (b) an affidavit of a witness to such execution sworn to before such a notary public or other officer.

Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such acknowledgment or affidavit shall also constitute sufficient proof of his authority.

- (2) The foregoing shall not be construed as limiting the City to such proof, it being intended that the City may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done by the City in pursuance of such request, direction or consent.
- (3) The right of a proxy for a Bondowner to act may be proved (subject to the City's right to require additional proof) by a written proxy executed by such Bondowner as aforesaid.

E. Appointment of Officers at Bondowners Meetings.

- (1) Persons named by the City or elected by the Owners of a majority in principal amount of the Outstanding Bonds represented at the meeting in person or by proxy in the event the City is not represented at such meeting, shall act as temporary Chairman and temporary Secretary of any meeting of Bondowners. A permanent Chairman and a permanent Secretary of such meeting shall be elected by the Owners of a majority in principal amount of the Bonds represented at such meeting in person or by proxy. The permanent chairman of the meeting shall appoint two (2) Inspectors of Votes who shall count all votes cast at such meeting, except votes on the election of Chairman and Secretary as aforesaid, and who shall make and file with the Secretary of the meeting and with the City their verified report of all such votes cast at the meeting.

F. Quorum at Bondowners Meetings.

- (1) The Owners of not less than the principal amount of the Bonds required for any action to be taken at such meeting must be present at such meeting in person or by proxy to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting; provided, however, that, if such meeting is adjourned by less than a quorum for more than ten (10) days, notice thereof shall be published by the City at least five (5) days prior to the adjourned date of the meeting.

G. Vote Required to Amend Master Resolution.

- (1) Any amendment to the provisions of the Master Resolution, in any particular except the percentage of Bondowners the approval of which is required to approve such amendment, may be made by a Supplemental Resolution of the City and a resolution duly adopted by the affirmative vote at a meeting of Bondowners duly convened and held, or with written consent as hereinafter provided in this Section 15G hereof, of the Owners of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding when such meeting is held or such consent is given; provided, however, that no such amendment shall

- (a) extend the date of payment of the principal of any Bond or of any installment of interest thereon or reduce the principal or redemption price thereof or the rate of interest thereon or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date;
- (b) give to any Bond or Bonds any preference over any other Bond or Bonds secured equally and ratably therewith;
- (c) reduce the aforesaid percentage of Bonds, the Owners of which are required to consent to any such resolution amending the provisions of this Master Resolution; or
- (d) authorize the creation of any pledge prior to or, except as provided in Section 10 hereof, on a parity with the pledge afforded by this Master Resolution, without the consent of the Owner of each such Bond affected thereby.

H. Obtaining Approval of Amendments at Bondowners Meeting.

- (1) The City may at any time adopt a resolution amending the provisions of the Master Resolution to the extent that such amendment is permitted by the provisions of Section 15 hereof, to take effect when and as provided in this Section 15. At any time thereafter such resolution may be submitted by the City for approval to a meeting of the Bondowners duly convened and held in accordance with the provisions of the Master Resolution. A record in duplicate of the proceedings of each meeting of the Bondowners shall be prepared by the permanent Secretary of the meeting and shall have attached thereto the original reports of the Inspectors of Votes and affidavits by a person or persons having knowledge of the facts, showing a copy of the notice of the meeting and setting forth the facts with respect to the mailing and publication thereof under the provisions of the Master Resolution. Such a record shall be signed and verified by the affidavits of the permanent Chairman and the permanent Secretary of the meeting, and one duplicate thereof shall be delivered to the City. Any record so signed and verified shall be proof of the matters therein stated. If the resolution of the City making such amendment shall be approved by a resolution duly adopted at such meeting of Bondowners by the affirmative vote of the Owners of the required percentages of Bonds, a notice stating that a resolution approving such amendment has been so adopted shall be mailed by the City to each Bondowner who has requested such notice (but failure so to mail copies of such notice shall not affect the validity of such resolution) and shall be published at least once in the manner provided in Section 4D or 4E hereof. Proof of such mailing and publication by the affidavit or affidavits of a person or persons having knowledge of the facts shall be filed with the City. Such resolution of the City making such amendment shall be deemed conclusively to be binding upon the City, the Paying Agent, and the Owners of all Bonds at the expiration of thirty (30) days after the publication of the notice provided for in this Section 15, except in the event of a final decree of court of competent jurisdiction setting aside such resolution or annulling the action taken thereby in a legal action or equitable proceeding for such purpose commenced within such period; provided that the City and any Paying Agent during such thirty (30) day period and any such further period during which such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such resolution as they may deem expedient. Nothing in the Master Resolution contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Bondowners or of any right

conferred hereunder to make such a call, any hindrance or delay in the exercise of any rights conferred upon or reserved to the Paying Agent or the Bondowners under any of the provisions of the Master Resolution.

Section 16. Amendment of Master Resolution

- A. This Master Resolution may be amended by Supplemental Resolution without the consent of any Bondowners for any one or more of the following purposes:
- (1) To cure any ambiguity or formal defect or omission in this Master Resolution;
 - (2) To add to the covenants and agreements of the City in this Master Resolution, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Master Resolution as theretofore in effect;
 - (3) To add to the limitations and restrictions in this Master Resolution, other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Master Resolution as theretofore in effect;
 - (4) With the prior Opinion of Bond Counsel that to do so will not adversely affect the prior status of any Bonds intended to be, and which still are, Tax-Exempt Obligations, to authorize, in compliance with all applicable law, Bonds of any Series to be issued in the form of coupon Bonds registrable as to principal only and, in connection therewith, specify and determine the matters and things relative to the issuance of such coupon Bonds, including provisions relating to the timing and manner of provision of any notice required to be given hereunder to the holders of such coupon Bonds, which are not contrary to or inconsistent with the applicable provisions of this Master Resolution or any Supplemental Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such coupon Bonds;
 - (5) To modify, amend or supplement this Master Resolution or any Supplemental Resolution in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of any Bonds for sale under the securities laws of any of the states of the United States of America;
 - (6) To add additional security subject to the pledge and lien of this Master Resolution or any Supplemental Resolution;
 - (7) To provide any of the Tax Covenants not provided by this Master Resolution or to modify in any respect any Tax Covenant so as to conform to the then applicable requirements of the Code or to delete or restrict the applicability of any Tax Covenant which, under the Code as then in effect, and in the Opinion of Bond Counsel, is no longer applicable to all or any Bonds issued or to be issued hereunder;
 - (8) To surrender any right, power or privilege reserved to or conferred upon the City by the terms of this Master Resolution or any Supplemental Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the applicable

covenants and agreement of the City contained in this Master Resolution or any Supplemental Resolution;

- (9) To confirm, as further assurance, any security interest or pledge created under this Master Resolution or any Supplemental Resolution;
- (10) To insert such provisions clarifying matters or questions arising under this Master Resolution or any Supplemental Resolution as are necessary or desirable and are not contrary to or inconsistent with the applicable provisions of this Master Resolution or any Supplemental Resolution as theretofore in effect;
- (11) To modify any of the provisions of this Master Resolution or any Supplemental Resolution in any other respect whatever, provided that:
 - (a) no Bonds affected by such modification shall be Outstanding at the date of the adoption of such Supplemental Resolution; or
 - (b) such modification shall be, and be expressed to be, effective only after all affected Outstanding Bonds at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding Bonds, and such Supplemental Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; or
 - (c) such modification does not materially and adversely affect the rights of the Bondowners of any Outstanding Bonds;
- (12) To make any change required by a Rating Agency as precondition to the issuance of a rating on any Series of Bonds which is not to the prejudice of the Bondowners of the Bonds of any other Series;
- (13) So long as a Credit Facility is in full force and effect with respect to the Bonds affected by such Supplemental Resolution, to make any other change which is consented to in writing by the issuer of such Credit Facility other than any change which:
 - (a) would result in a downgrading or withdrawal of the rating then assigned to the affected Bonds by the Rating Agencies; or
 - (b) changes the maturity (except as permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility; or
 - (c) materially and adversely affects the rights and security afforded to the Owners of any Outstanding Bonds not secured by such Credit Facility; or
- (14) To incorporate into this Master Resolution or any Supplemental Resolution any financing powers hereafter granted to or conferred upon the City by law.
- (15) To enter into any Derivative Product permitted by the laws applicable to the City and this Master Resolution, and to specify and determine the matters and things thought necessary

or desirable in connection with the entering of such Derivative Product as are not contrary to or inconsistent with the provisions of this Master Resolution with respect to Derivative Products theretofore in effect.

- B. This Master Resolution may be amended for any other purpose only upon consent of Bondowners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds outstanding; provided, however, that no amendment shall be valid without the consent of Bondowners of 100 percent of the aggregate principal amount of the Bonds outstanding which:
- (1) Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment or 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.
- C. Except as otherwise expressly provided in a Supplemental Resolution, as long as a Credit Facility securing all or a portion of any Outstanding Bonds is in effect, the issuer of such Credit Facility shall be deemed to be the Bondowner of the Bonds secured by such Credit Facility:
- (1) at all times for the purpose of the execution and delivery of a Supplemental Resolution or of any amendment, change or modification of this Master Resolution or the initiation by Bondowners of any action which under this Master Resolution requires the written approval or consent of or can be initiated by the Bondowners of at least a majority in principal amount of the affected Bonds at the time Outstanding; and following an Event of Default for all other purposes.
 - (2) Notwithstanding the foregoing, the issuer of such Credit Facility shall not be deemed to be a Bondowner secured thereby with respect to any such Supplemental Resolution or of any amendment, change or modification of this Master Resolution which:
 - (a) would result in a downgrading or withdrawal of the rating then assigned to the affected Bonds by the Rating Agencies; or
 - (b) changes the maturity (except as expressly permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption and purchase applicable to the affected Bonds or diminishes the security afforded by such Credit Facility; or
 - (c) reduces the percentage or otherwise affects the classes of affected Bonds, the consent of the Bondowners of which is required to effect any such modification or amendment;
 - (3) In addition and notwithstanding the foregoing, no issuer of a Credit Facility given as security for any Bonds shall be entitled to exercise any rights under this Section 16 during any period where:

- (a) the Credit Agreement or Credit Facility to which such Credit Provider is a party shall not be in full force and effect;
 - (b) such Credit Provider shall have filed a petition or otherwise sought relief under any federal or state bankruptcy or similar law;
 - (c) such Credit Provider shall, for any reason, have failed or refused to honor a proper demand for payment under such Credit Facility; or
 - (d) an order or decree shall have been entered, with the consent or acquiescence of such Credit Provider, appointing a receiver or receivers or the assets of the Credit Provider, or if such order or decree having been entered without the consent or acquiescence of such Credit Provider, shall not have been vacated or discharged or stayed within ninety (90) days after the entry thereof.
- (4) For purposes of determining the percentage of Bondowners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Master Resolution, the Owners of Bonds which constitute Deferred Interest Obligations shall be treated as Owners of Bonds in an aggregate principal amount equal to the Accreted Value of such Bonds as of the date the Bond Registrar sends out notice of requesting consent, waiver or other action as provided herein.

Section 17. Defeasance

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

Section 18. Additional Actions

- A. No official statement or other offering document will be prepared by the City for the sale of the 2004 Bonds. The City may prepare, with the assistance of the underwriter, a preliminary official statement with respect to any Additional Bonds. When the Manager determines that the preliminary official statement for the Additional Bonds does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained in the preliminary official statement not misleading in light of the

circumstances under which they are made, the Manager is authorized, on behalf of the City, to deem the preliminary official statement final as of its date except for the omission of information dependent upon the pricing of the issue and the completion of the underwriting agreement such as offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Additional Bonds dependent on the foregoing matters, pursuant to Securities and Exchange Commission Rule 15c2-12. When the Manager determines that the final official statement for the Additional Bonds does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements contained in the final official statement not misleading in light of the circumstances under which they are made, the Manager is authorized, on behalf of the City, to certify the accuracy of the final official statement.

- B. The Manager is authorized and empowered to obtain ratings for Additional Bonds from S&P, Moody's, or such other similar Rating Agency as the Manager shall determine.
- C. The Manager is authorized to use a competitive quote procedure to receive bids from all of the major municipal bond insurance companies for a Bond Insurance Policy and a Reserve Credit Facility for Additional Bonds and to fund any Reserve Requirement for Additional Bonds. The Manager is authorized to determine the low bidder both for a Bond Insurance Policy and the Reserve Credit Facility. The Manager is authorized and empowered to execute and deliver any agreement required in connection with obtaining a Bond Insurance Policy or other Credit Facility for Additional Bonds, including entering into any agreements required by a Credit Provider, to provide further assurance to Bondowners of the payment of the principal, premium (if any) and interest on the Additional Bonds, and the payment of the sum or charge (if any) for the investment from the proceeds of the Additional Bonds.
- D. The Manager is authorized, on behalf of the City to:
 - (1) approve any changes made to the Bond Forms, attached hereto as Exhibit A and Exhibit B;
 - (2) designate the 2004 Bonds as a "qualified tax-exempt obligation;"
 - (3) execute and deliver on behalf of the City any and all additional certificates, documents or other papers and other acts (including, without limitation, the filing of any documents) as he or she may deem necessary or appropriate to implement the intent and purpose of this Master Resolution; and/or
 - (4) designate all or any portion of the Refundable Bonds to be called and redeemed with proceeds of the 2004 Bonds; give notice to the Registrar of the Refundable Bonds of the City's intent to call and redeem the Refundable Bonds; designate a Verification Agent and execute and deliver any agreements required to refund and defease the Refundable Bonds.

Section 19. Provisions Relating to Bond Insurance

- A. The provisions of this Section 19 shall apply to each Bond Insurer in the event and to the extent any Additional Bonds issued pursuant to this Master Resolution or a Supplemental Resolution, are insured by a Bond Insurer, so long as (i) its Bond Insurance Policy is in

effect, (ii) the Bond Insurer has not asserted that its Bond Insurance Policy is not in effect, (iii) the Bond Insurer is not in default thereunder, (iv) the Bond Insurer is not insolvent, and (v) the Bond Insurer has not waived any such rights; provided, that, notwithstanding the foregoing, such rights shall continue with respect to amounts previously paid and due and owing the Bond Insurer.

- (1) Any amendment to this Master Resolution requiring the consent of Owners of a Series of Bonds or the portion thereof secured by a Bond Insurance Policy (the "Insured Bonds") shall also require the prior written consent of the Bond Insurer with respect to such Insured Bonds.
- (2) Any amendment not requiring the consent of Owners of the Insured Bonds shall require the prior written consent of the Bond Insurer with respect to such Insured Bonds if its rights shall be materially and adversely affected by such amendment.
- (3) The prior written consent of the Bond Insurer with respect to the Insured Bonds shall be a condition precedent to the deposit by the City of any Credit Facility in lieu of a cash deposit into any Reserve Account relating to such Insured Bonds, which consent shall not be unreasonably withheld.
- (4) For purposes of Section 14 of this Master Resolution, if an Event of Default shall have occurred and be continuing, the Bond Insurer with respect to the Insured Bonds shall be deemed to be the Owner of such Insured Bonds in connection with any consent or direction, appointment, request or waiver to be provided thereunder.
- (5) Each Bond Insurer with respect to the Insured Bonds shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner of such Insured Bonds in accordance with this Master Resolution.
- (6) Each Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds it insures, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy.
- (7) Principal and/or interest paid by a Bond Insurer under its Bond Insurance Policy shall not be deemed paid for purposes of this Master Resolution, and the Insured Bonds with respect to which such payments were made shall remain Outstanding and continue to be due and owing until paid by the City in accordance with this Master Resolution.
- (8) In the event of any defeasance of the Insured Bonds, the City shall provide the applicable Bond Insurer with copies of all documents required by Section 17 of this Master Resolution to be delivered to the Owners.
- (9) The City shall not discharge this Master Resolution unless all amounts due or to become due to each Bond Insurer have been paid in full or duly provided for.

B. Notices to the Bond Insurer; Payment Procedures.

- (1) The City shall send or cause to be sent to each Bond Insurer copies of notices required to be sent to Owners pursuant to this Master Resolution.

- (2) The City, and/or Paying Agent, as appropriate, shall observe and perform any payment procedures under the Bond Insurance Policy required by each Bond Insurer as a condition to the issuance and delivery of such Bond Insurer's Bond Insurance Policy.

Section 20. Resolution to Constitute Contract

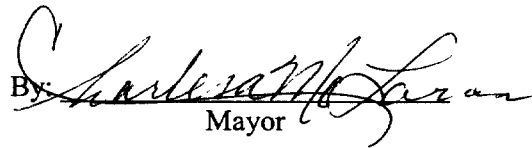
In consideration of the purchase and acceptance of any or all of the Bonds by the Bondowners, the provisions of this Master Resolution shall be part of the contract of the City with the Bondowners and shall be deemed to be and shall constitute a contract between the City and the Bondowners. The covenants, pledges, representations and warranties contained in this Master Resolution or in the closing documents executed in connection with the Bonds, including without limitation the City's covenants and pledges contained in Section 9 hereof, and the other covenants and agreements herein set forth to be performed by or on behalf of the City shall be contracts for the equal benefit, protection and security of the Bondowners, all of which shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof, except as expressly provided in or pursuant to this Master Resolution.

Section 21. Effective Date of Resolution

This Master Resolution shall take effect immediately upon its adoption by the City Council.

DATED and EFFECTIVE this 11th day of February, 2004.

CITY OF ALBANY, OREGON

By: 
Mayor

ATTEST:

By: 
City Clerk

EXHIBIT A

2004 BOND FORM

No. R-1

\$2,835,000

UNITED STATES OF AMERICA
STATE OF OREGON

**CITY OF ALBANY
LINN AND BENTON COUNTIES, OREGON
SEWER REVENUE REFUNDING BOND
SERIES 2004**

<u>DATED</u> <u>DATE</u>	<u>INTEREST RATE</u> <u>PER ANNUM</u>	<u>MATURITY</u> <u>DATE</u>
February 24, 2004	2.65%	August 1, 2009

REGISTERED OWNER: --BANK OF AMERICA, N.A.

PRINCIPAL AMOUNT: TWO MILLION EIGHT HUNDRED THIRTY-FIVE THOUSAND (\$2,835,000) DOLLARS

THE CITY OF ALBANY in Linn and Benton Counties, State of Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the registered Owner hereof, or registered assigns, the principal amount indicated above on the above maturity date together with interest thereon from the date hereof at the rate per annum indicated above. Interest is payable semiannually on the first day of February and the first day of August in each year until maturity or prior call and redemption, commencing August 1, 2004, to the registered Owner at the address appearing on the Bond register as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. The City will make principal and interest payments to the registered Owner. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Master Resolution.

ADDITIONAL PROVISIONS OF THIS BOND APPEAR ON THE REVERSE SIDE HEREOF AND ON SUBSEQUENT PAGES; THESE PROVISIONS HAVE THE SAME EFFECT AS IF THEY WERE PRINTED HEREON.

This Bond is not a general obligation or liability of the City, and is payable solely from the Trust Estate. This Bond is authorized pursuant to Resolution No. ____ ("Master Sewer Revenue Bond Resolution") adopted by the City Council of the City February 11, 2004 (the "Resolution"). The City covenants and agrees with the Registered Owner of this Bond that it will keep and perform all of the covenants in this Bond and in the Resolution. The City has pledged the Net Revenues of the System and certain monies in the funds and accounts as set forth in the Resolution to the payment of principal and interest on this Bond.

The Registered Owner may not transfer, sell, assign or otherwise dispose of or convey any of its ownership or interest in this Bond; provided, however, the Registered Owner may transfer or assign this Bond to a successor entity arising from a merger, consolidation or other reorganization.

This Bond is one of a Series of Sewer Revenue Refunding Bonds, Series 2004, in the aggregate principal amount of \$2,835,000 (the "Bonds"), issued by the City for the purpose of refunding the City's Sewer Revenue Refunding Bonds, Series 1993, dated January 15, 1993 and issued in the original aggregate principal amount of \$5,985,000 and to pay costs of issuance of the Bonds. The Bonds are issued in full and strict accordance and compliance with all of the provisions of the Constitution, Statutes of the State of Oregon (specifically ORS 288.592), the City's Charter, and the Resolution.

The Bonds shall be issued in the form of a single bond as a fully amortizing, serial loan with interest, calculated on a 30/360-day basis, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2004 at the interest rates and with the following annual principal payments as follows:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Rate</u>
August 1, 2004	\$445,000.00	2.65%
August 1, 2005	450,000.00	2.65%
August 1, 2006	465,000.00	2.65%
August 1, 2007	475,000.00	2.65%
August 1, 2008	495,000.00	2.65%
August 1, 2009	505,000.00	2.65%


The Bonds may not be prepaid prior to August 1, 2006. From August 1, 2006 and thereafter, the Bonds may be prepaid, in whole or in part, on any interest payment date without premium.

Official notice of any such prepayment shall be given by the City at least 30 days and not more than 60 days prior to the date fixed for prepayment to the Registered Owner of the Bonds to be prepaid at the address shown on the Bond register or at such other address as is furnished in writing by such registered Owner to the City, and by publishing the notice of prepayment as required by law.

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 limit prescribed by such Constitution, Statutes and Charter.

IN WITNESS WHEREOF, the City Council of the City of Albany in Linn and Benton Counties, Oregon, has caused this Bond to be signed by the manual/facsimile signature of its Mayor and attested by the manual/facsimile signature of its City Manager, Assistant City Manager/Chief Financial Officer, or City Recorder, as of the date indicated above.

CITY OF ALBANY, OREGON,

 (Mayor)

Attest:

 (City Manager)

EXHIBIT B

FORM OF BOND FOR ADDITIONAL BONDS

No. R-1

\$ _____

UNITED STATES OF AMERICA
STATE OF OREGON

CITY OF ALBANY
LINN AND BENTON COUNTIES, OREGON
SEWER REVENUE BOND
SERIES _____

<u>DATED</u> <u>DATE</u>	<u>INTEREST RATE</u> <u>PER ANNUM</u>	<u>MATURITY</u> <u>DATE</u>	<u>CUSIP</u> <u>NUMBER</u>
_____	_____ %	_____ 1, _____	_____

REGISTERED OWNER: -- CEDE & CO. --

PRINCIPAL AMOUNT: _____ (\$ _____) DOLLARS

THE CITY OF ALBANY in Linn and Benton Counties, State of Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the registered Owner hereof, or registered assigns, the principal amount indicated above on the above maturity date together with interest thereon from the date hereof at the rate per annum indicated above. Interest is payable semiannually on the first day of _____ and the first day of _____ in each year until maturity or prior call and redemption, commencing _____, 200____, to the registered Owner at the address appearing on the Bond register as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. The City's paying agent and registrar, which is currently _____, in _____, (the "Registrar"), will make principal and interest payments to the registered Owner. Principal and interest payments shall be received by Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC") or its registered assigns in same-day funds on each payment date. Such payments shall be made payable to the order of "Cede & Co." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Master Resolution.

ADDITIONAL PROVISIONS OF THIS BOND APPEAR ON THE REVERSE SIDE HEREOF AND ON SUBSEQUENT PAGES; THESE PROVISIONS HAVE THE SAME EFFECT AS IF THEY WERE PRINTED HEREON.

This Bond is not a general obligation or liability of the City, and is payable solely from the Trust Estate. This Bond is authorized pursuant to Resolution No. _____ ("Master Sewer Revenue Bond Resolution") adopted by the City Council of the City February 9, 2004 (the "Resolution"). The City covenants and agrees with the Owner of this Bond that it will keep and perform all of the covenants in this Bond and in the Resolution. The City has pledged the Net Revenues of the System and certain monies in the funds and accounts as set forth in the Resolution to the payment of principal and interest on this Bond.

This Bond is one of a Series of Sewer Revenue Bonds, Series _____, in the aggregate principal amount of \$ _____ (the "Bonds"), issued by the City for the purpose of _____

and to pay costs of issuance of the Bonds. The Bonds are issued in full and strict accordance and compliance with all of the provisions of the Constitution, Statutes of the State of Oregon (specifically ORS 288.592), the City's Charter, and the Resolution.

The Bonds maturing on and after _____, 20__ are subject to redemption prior to maturity at the option of the City in whole or in part on any date on and after _____, 20__ (with maturities to be selected by the City and by lot within a maturity), at a price of par plus accrued interest to the date of redemption.

[The Bonds are subject to extraordinary redemption on _____, 20__ at a Redemption Price of _____ upon the following conditions _____.]

[Unless previously called under the provisions for optional redemption, the term Bond maturing _____ 1, 20__ shall be subject to mandatory redemption in part, by lot, at the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, in the amounts and on the dates set forth below:]

<u>Redemption Date</u>	<u>Principal Amount</u>
_____ 1, 20__	\$ _____
_____ 1, 20__ (final maturity)	_____

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 first-class mail, postage prepaid, 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, and by publishing the notice of redemption as required by law; provided that so long as the Book-Entry Only System is maintained in effect, notice of redemption shall be given at the time, to the entity and in the manner required in the Letter of Representations executed among the City, the Registrar and DTC, and the Registrar shall not be required to give any other notice of redemption otherwise required in the Resolution, except for publishing the notice as required by law.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the Bondowners. Records of Bond ownership will be maintained by the Registrar and DTC and its participants.

Should the book-entry-only security system be discontinued, the Bonds shall be issued in the form of fully registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Such Bonds may be exchanged for Bonds of the same aggregate principal amount, but different authorized denominations, as provided in the Resolution.

Any transfer of this Bond must be registered, as provided in the Resolution, upon the Bond Register kept for that purpose at the principal corporate trust office of the Registrar. Upon registration, a new registered Bond or Bonds, of the same Series and maturity and in the same aggregate principal amount shall be issued to the transferee as provided in the Resolution. The City and the Registrar may

treat the person in whose name this Bond is registered as its absolute Owner for all purposes, as provided in the Resolution.

The Bondowner may exchange or transfer this Bond only by surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and duly executed by the registered Owner or his duly authorized attorney, at the principal corporate trust office of the Registrar in the manner and subject to the conditions set forth in the Resolution.

This Bond shall remain in the Registrar's custody subject to the provisions of the Fast Automated Securities Transfer (FAST) agreement currently in effect between _____, as Registrar, and The Depository Trust Company, New York, New York.

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 limit prescribed by such Constitution, Statutes and Charter.

IN WITNESS WHEREOF, the City Council of the City of Albany in Linn and Benton Counties, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of its City Manager, Assistant City Manager/Chief Financial Officer, or City Recorder, as of the date indicated above.

CITY OF ALBANY, OREGON

_____ (Mayor)

Attest:

_____ (City Manager)

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

AUTHENTICATION DATE: _____.

CERTIFICATE OF AUTHENTICATION

This is one of the City's \$ _____ Sewer Revenue Bonds, Series 20____, issued pursuant to the Resolution described herein.

_____, as Registrar

By: _____
Authorized Officer

ASSIGNMENT

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

(Please insert social security or other identifying number of assignee)

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

Dated: _____

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

NOTICE: The signatures to this Assignment must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Securities Program ("MSP").

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM—tenants in common
- TEN ENT—tenants by the entireties
- JT TEN—joint tenants with right of survivorship and not as tenants in common
- OREGON CUSTODIANS use the following:
_____ CUST UL OREG _____ MIN as custodian for
(as custodian for) (name of minor)
- OR UNIF TRANS MIN ACT
(under the Oregon Uniform Transfer to Minors Act)

Additional abbreviations may also be used though not in the list above.

STATEMENT OF INSURANCE [if required]

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Exhibit A – 2004 Bond Form

Exhibit B – Form of Bond for Additional Bonds