

**City of Prineville
Crook County, Oregon**

Resolution No. 726

*A resolution of the City of Prineville, Crook County, Oregon,
authorizing the issuance of First Lien Sewer Revenue Bonds,
Series 1992*

Dated as of April 3, 1992

Table of Contents

	<u>Page Number</u>
Section 1. Findings.	1
Section 2. Definitions.	1
Section 3. Authorization, Designation.	5
Section 4. Date, Maturities and Interest.	5
Section 5. Term Bonds and Mandatory Redemption.	5
Section 6. Book-Entry-Only System.	5
Section 7. Form of Registered Bond.	7
Section 8. Authentication, Registration and Transfer (Not Book-Entry).	7
Section 9. Optional Redemption.	9
Section 10. Notice of Redemption.	9
Section 11. Notice of Redemption.	11
Section 12. Disposition of Bond Proceeds and Deposit to the Construction Fund.	11
Section 13. Deposit, Pledge and Use of Revenues.	11
Section 15. Rate Covenant.	13
Section 16. General Covenants.	14
Section 17. Maintenance of Tax-Exempt Status.	15
Section 18. Parity Obligations.	16
Section 19. Subordinate Obligations.	17
Section 20. Default.	17

Table of Contents

	<u>Page Number</u>
Section 21. Remedies on Default.	18
Section 22. No Remedy Exclusive.	18
Section 23. Amendment of Resolution.	18
Section 24. Defeasance.	19
Section 25. Bank Qualified.	19
Section 26. Sale of Bonds.	19
Section 27. Additional Actions.	20
Section 28. Resolution No. 722 Repealed.	20
Exhibit A	
Letter of Representations	1
Exhibit B(1)	
Form of Bond - Book-Entry Only	1
Exhibit B(2)	
Form of Bond - Non-Book-Entry Only	1

RESOLUTION NO. ____

**A RESOLUTION OF THE CITY OF PRINEVILLE, CROOK COUNTY, OREGON,
AUTHORIZING THE ISSUANCE OF FIRST LIEN SEWER REVENUE BONDS,
SERIES 1992**

Section 1. Findings.

WHEREAS, on October 8, 1991, the City of Prineville, Crook County, Oregon (the "City") adopted Resolution No. 719 whereby the City provided for the issuance of \$3,000,000 of its Sewer Revenue Bonds and provided for the publication of notice, pursuant to ORS 288.805 through 288.945, the Uniform Revenue Bond Act (the "Act"); and

WHEREAS, publication of notice was duly given, no petitions were filed which would require an election, and the City now has authority to issue its bond pursuant to the Act.

NOW, THEREFORE, the City resolves as follows:

Section 2. Definitions.

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

- (1) "City" means the City of Prineville, Crook County, Oregon.
- (2) "Audit" means the audit required by ORS 297.425.
- (3) "Auditor" means a person authorized by the State Council of Accountancy to conduct municipal audits pursuant to ORS 297.670.
- (4) "Council" means the City Council of the City of Prineville, Crook County, Oregon.
- (5) "Bondowner" means a registered owner of a Bond.
- (6) "Bond Purchase Agreement" means that purchase agreement executed by the Underwriter and the City.
- (7) "Bond Registrar" or "Registrar" means the paying agent and registrar designated by the City.

(8) "Bonds" or "Series 1992 Bonds" means the Series 1992 Bonds and any Parity Obligations issued pursuant to this Resolution.

(9) "Certificate of City" or "City Certificate" means a certificate executed on behalf of the City by the City Administrator of the City or his designee.

(10) "Code" means the Internal Revenue Code of 1986, rules and regulations promulgated thereunder and amendments thereto.

(11) "Construction Account" means the Wastewater Treatment Plant Construction Account, heretofore created, to be maintained pursuant to Section 12 of this Resolution.

(12) "Costs of Construction" means all appropriate capitalizable costs to be incurred to construct the Project in accordance with generally-accepted accounting principles.

(13) "Default" or "Event of Default" means any event specified in Section 20 of this Resolution.

(14) "Equipment Replacement and Operating Reserve Fund" means that fund established to Section 14 of this Resolution.

(15) "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 Oregon Law.

(16) "General Fund" means the General Fund of the City.

(17) "Gross Revenues" means all fees and charges, including system development charges, resulting from operation of the Sewer System, revenues from product sales and such revenues as may be deposited to the Sewer Fund by the City from the operation of the Prineville Meadows Golf Course plus investment income from Sewer User revenues on deposit with the City under this Resolution; however, Gross Revenues does not include: (a) any payments of improvement assessments levied against benefited properties; (b) the proceeds of any grants; (c) the proceeds of any borrowing for capital improvements; (d) the proceeds of any liability or other insurance; (e) the proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the Sewer System; (f) sales of assets pursuant to Section 16 of this Resolution, and (g) ad valorem taxes received by the City which are, at any time, pledged, designated or dedicated to other debt or obligations of the City.

(18) "Net Operating Revenues" means the Gross Revenues less the Operating Expenses.

(19) "Parity Notes" or "Notes" means the State of Oregon Revolving Fund Notes or obligations to be issued by the Oregon Department of Environmental Quality to finance, in part, the Project.

(20) "Operating Expenses" means all expenses incurred for operation, maintenance and repair of the Project and the Sewer 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), taxes, legal and engineering expenses relating to operation and maintenance, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the Sewer System. Operating Expenses do not include any rebates paid from Gross Revenues under Section 148 of the Code and any interfund transfers of the City.

(21) "ORS" means the Oregon Revised Statutes.

(22) "Outstanding Bonds" means all Bonds authorized and delivered pursuant to this Resolution except Bonds theretofore cancelled or defeased pursuant to Section 24 of this Resolution.

(23) "Parity Obligations" means any revenue bonds or other obligations of the City which comply with the provisions of Section 18 of this Resolution for the issuance of Parity Obligations.

(24) "Permitted Indebtedness" means (i) subordinate lien debt, (ii) indebtedness to the extent secured by or payable from sources other than Net Operating Revenues, (iii) Bond and Tax Anticipation Notes issued pursuant to Oregon Law, and (iv) any other indebtedness in existence on the date of initial issuance and delivery of the Bonds.

(25) "Permitted Investments" means those investments authorized by Oregon Law for the City.

(26) "Project" means the sewerage facilities as described in the City's final Wastewater Facilities Plan, dated March 25, 1991, and together with other necessary improvements to the collection and treatment system of the City which will be financed with the proceeds of the Bonds.

(27) "Record Date" means the fifteenth (15th) day of the month preceding each interest payment date.

(28) "Redemption Account" means the First Lien Sewer System Revenue Bond Debt Redemption Account, to be maintained pursuant to Section 14 by the City to hold funds to be used to pay Bond principal and interest and premiums if any.

(29) "Registrar" means the Registrar and paying agent as established in Section 8 of this Resolution.

(30) "Required Reserve" means an amount equal to the lesser of (a) the maximum annual debt service due in any Fiscal Year on the Outstanding Bonds determined as of the date of issuance of the Bonds, (b) 1.25 times the average annual debt service on the Outstanding Bonds or (c) ten percent of the proceeds of all issues of Bonds which have Bonds outstanding, in accordance with Section 148(d) of the Code.

(31) "Reserve Account" or "Debt Service Reserve Account" means the Reserve Account established pursuant to Section 14 of this Resolution.

(32) "Reserve Equivalent" means an insurance policy or letter of credit issued by a municipal bond insurance company or a commercial bank having a credit rating (when the policy or letter of credit is issued) of at least Aa or AA as determined by Moody's Investors Services or Standard & Poor's Corporation, or their successors, in which the insurance company or commercial bank agrees to unconditionally provide the City with funds in an amount which, when combined with available bond proceeds or other available funds, that have been previously deposited into the Reserve Account, equals the Required Reserve.

(33) "Resolution" means this Resolution.

(34) "Series 1992 Bonds" means the City's First Lien Sewer Revenue Bonds, Series 1992, issued pursuant to this Resolution.

(35) "Sewer Fund" means that fund heretofore established to which all Gross Revenues are deposited.

(36) "Sewer System" or "System" means all real and personal property now or hereafter owned, operated, used, or maintained by the City for sewage disposal or sewage purification within or without the corporate limits of the City, including but not limited to, intercepting sewers, diversion sewers, relieving or interconnection sewers, lift stations and equipment enhancements to stream flow augmentation, and facilities for treatment, processing and disposal of sewage.

(37) "Subordinate Obligations" means any obligations of the City payable from Net Operating Revenues which comply with the provisions of Section 19 of this Resolution.

(38) "Term Bonds" means the Bonds payable at or before their specified maturity date or dates from mandatory sinking fund payments established for that purpose and calculated to retire such bonds on or before their specified maturity date or dates.

(39) "Underwriter" means Seattle-Northwest Securities Corporation, Portland, Oregon.

Section 3. Authorization, Designation. To provide sufficient funds in accordance with and subject to the terms, conditions and limitations established in the Resolution, bonds will be issued in the aggregate principal amount of Three Million Dollars (\$3,000,000), in registered form as to both principal and interest, without interest coupons. The bonds are hereby designated as the "City of Prineville, Crook County, Oregon First Lien Sewer Revenue Bonds, Series 1992" (the "1992 Bonds").

Section 4. Date, Maturities and Interest. All Bonds shall be dated April 1, 1992, shall bear interest payable on July 1 and January 1 of each year, commencing January 1, 1993, until maturity or prior call and redemption and shall mature as referenced in the Bond Purchase Agreement.

Section 5. Term Bonds and Mandatory Redemption. Term bonds, if any are specified by the Bond Purchase Agreement, shall be subject to mandatory redemption at par and by lot, in the amounts and on the dates shown in the Bond Purchase Agreement. Bonds optionally redeemed may be credited against the mandatory redemption by lot as determined by the Paying Agent.

Section 6. Book-Entry-Only System.

A. The Bonds shall be initially issued as a book-entry-only security issue with no Bonds being made available to the Bondowners upon the execution and delivery of the Letter of Representations among the Fiscal Agent, The Depository Trust Company and the City, attached hereto as Exhibit A. Ownership of the 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 Bonds shall be initially issued in the form of a separate single fully registered typewritten Bond for each maturity of the Bonds (the "Global Bonds") in substantially the form attached hereto as Exhibit B(1) with such changes as are required to conform with the Bond Purchase Agreement. 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 Fiscal Agent shall remit payment for the maturing principal and interest on the Bonds to the Registered Owner 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 Bonds are in book-entry-only form, the 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 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 Bonds shall no longer be a book-entry-only issue but shall be registered in the registration books maintained by the Fiscal Agent in the name of the Owner as appearing on the Bond Register and thereafter in the name or names of the Bondowners of the Bonds transferring or exchanging Bonds.

C. With respect to Bonds registered in the registration books maintained by the Fiscal Agent in the name of the Nominee of the Depository, the City and the Fiscal Agent 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 Owner 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 Bonds;
- (2) the delivery to any participant or correspondent or any other person, other than an Owner as shown in the registration books maintained by the Fiscal Agent, of any notice with respect to the Bonds, including any notice of prepayment;
- (3) the selection by the Depository of the beneficial interest in Bonds to be redeemed prior to maturity; or

(4) the payment to any participant, correspondent, or any other person other than the Owner of the Bonds as shown in the registration books maintained by the Fiscal Agent, of any amount with respect to principal of or interest on the Bonds.

D. Notwithstanding the book-entry-only system, the City may treat and consider the Beneficial Owner in whose name each Bond is registered in the registration books maintained by the Fiscal Agent as the Owner and absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, or for the purpose of giving notices of redemption and other matters with respect to such Bond, or for the purpose of registering transfers with respect to such Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal and interest on the Bonds only to or upon the order of the Registered Owner, as shown in the registration books maintained by the Fiscal Agent, 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 Owner 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 Declaration 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 Fiscal Agent. The Depository shall tender the Bonds it holds to the Fiscal Agent for reregistration.

Section 7. Form of Registered Bond. The City may issue the Bonds, including the Global Bonds, as one or more typewritten, temporary Bonds which shall be exchangeable for definitive Bonds when definitive Bonds are required. The non-book-entry-only Bonds shall be in substantially the form attached hereto as Exhibit B(2) with such changes as are required to conform with the Bond Purchase Agreement.

Section 8. Authentication, Registration and Transfer (Not Book-Entry).

A. The provisions of this paragraph apply only if the Bonds cease to be a book-entry-only issue. No Bond shall be entitled to any right or benefit under this Resolution unless it shall have been authenticated by an authorized officer of the Fiscal Agent. The Fiscal Agent shall authenticate all Bonds to be delivered at closing of this Bond issue, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Resolution.

B. All Bonds shall be in registered form. A successor Fiscal Agent may be appointed for the Bonds by the City. The Fiscal Agent shall

provide notice to Bondowners of any change in the Fiscal Agent not later than the Bond payment date following the change in Fiscal Agent.

C. The ownership of all Bonds shall be entered in the Bond Register maintained by the Fiscal Agent, and the City and the Fiscal Agent may treat the person listed as owner in the Bond Register as the owner of the Bond for all purposes.

D. The Fiscal Agent shall mail each Bond interest payment to the registered owner at the address appearing on the Bond Register as of the fifteenth day of the month preceding a Bond payment date (the "Record Date"). If payment is so mailed, neither the City nor the Fiscal Agent shall have any further liability to any party for such payment.

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

(1) written instructions for exchange or transfer satisfactory to the Fiscal Agent, signed by the Bondowner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Fiscal Agent; and

(2) the Bonds to be exchanged or transferred.

F. The City shall notify the Fiscal Agent of any Bonds to be called prior to maturity not less than 40 days prior to the redemption date. The Fiscal Agent shall establish a Special Record Date for the Bonds subject to redemption special which shall be a date established within a five-day period after receipt of notice from the City.

G. The Fiscal Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date or Special Record Date and ending on the next following payment date.

H. The Fiscal Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Bondowner's name is listed on the Bond Register.

I. For purposes of this section, Bonds shall be considered submitted to the Fiscal Agent on the date the Fiscal Agent actually receives the materials described in subsection (5) of this section.

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 9. Optional Redemption. Bonds designated as being subject to optional redemption in the Bond Purchase Agreement will be called in whole at any time or in part on any interest payment date (with maturities to be selected by the City) at a price of par plus accrued interest to the date of redemption.

Section 10. Notice of Redemption. (No Depository).

A. The provisions of this paragraph apply only if the Bonds cease to be a book-entry-only issue. Unless waived by the registered owner of the Bond or Bonds to be redeemed, official notice of any such redemption shall be given by the Fiscal Agent on behalf of the City of Prineville, by mailing a copy of an official redemption notice, by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Fiscal Agent.

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

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Fiscal Agent.

C. On or prior to any redemption date, the City shall deposit with the Fiscal Agent an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

D. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date,

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

E. In addition to the foregoing notice, further notice shall be given by the Fiscal Agent as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the maturity date of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least 35 days before the redemption date by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds (such as Financial Information, Inc.'s Financial Daily Called Bond Service; Interactive Data Corporation's Bond Service; Kenny Information Service's Called Bond Service; Moody's Municipal and Government; and Standard and Poor's Called Bond Record).

(3) Each such further notice shall be published one time in *The Bond Buyer* of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the holders of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds,

such publication to be made at least 30 days prior to the date fixed for redemption.

(4) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 11. Notice of Redemption. (Depository). The Fiscal Agent shall notify the Depository of any early redemption not less than 30 days prior to the prepayment, and shall provide such information in connection therewith as required by the Letter of Representations attached hereto as Exhibit A.

Section 12. Disposition of Bond Proceeds and Deposit to the Construction Fund. Interest accrued from the date of the Bonds until the date of closing shall be placed in the First Lien Sewer System Revenue Bond Debt Redemption Account (the "Redemption Account") heretofore created, and shall be used to pay interest on the Bonds. An amount shall be deposited in the Reserve Account sufficient to fund the Reserve Account equal to the Required Reserve unless other provisions have been made to fund the Reserve Account pursuant to Section 14 of this Resolution, in which event, all proceeds shall be placed in the Construction Fund (the "Construction Fund"), heretofore created. The balance of the Bond proceeds shall be placed in the Construction Fund, and shall be disbursed only to finance Costs of Construction of the Sewer System and costs incurred in connection with the issuance of the Bonds.

Monies in the Construction Fund may be invested in Permitted Investments as are authorized by law for the City. Earnings from investment of the funds in the Construction Fund shall be maintained in the Construction Fund, and shall be treated and disbursed as Bond proceeds. Construction Fund balances attributable to Bond proceeds which are not needed for construction may be transferred to the Redemption Account.

Section 13. Deposit, Pledge and Use of Revenues.

A. All Gross Revenues shall be deposited to or maintained in the Sewer Fund, heretofore created. The City hereby pledges the Net Operating Revenues to the payment of principal and interest on all Bonds and Parity Notes. As long as any Bonds or Notes remain issued and outstanding, monies 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 Redemption Account to pay Bond and Note principal and interest,

(3) To credit the Reserve Account to eliminate any deficiency in the Required Reserve,

(4) To credit the Equipment Replacement and Operating Reserve Fund, and

(5) To pay any other expenses relating to the Sewer System.

Section 14. Funds and Accounts.

A. The First Lien Sewer System Revenue Bond Redemption Account (the "Redemption Account") is hereby created. The City shall deposit into the Redemption Account, from the Sewer Fund, or the Reserve Account, money sufficient to make payments of Bond principal and interest in accordance with Section 13 of this Resolution.

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

(a) Not less than five business days prior to a Bond interest payment date, the City will deposit into the Redemption Account an amount equal to the amount necessary to pay Bond interest. Prepayment of deposits will fulfill this requirement. Notwithstanding the foregoing, the City shall deposit into the Redemption Account from the Net Operating Revenues an amount sufficient to permit all interest due on the Bonds to be paid on the date it is due.

(b) Not less than five business days prior to a Bond principal payment date, the City will deposit into the Redemption Account an amount equal to the amount necessary to pay Bond principal. Prepayment of deposits will fulfill this requirement. Notwithstanding the foregoing, the City will deposit into the Redemption Account from the Net Operating Revenues an amount sufficient to permit all principal due on the Bonds to be paid on the date it is due.

B. The Debt Service Reserve Account (the "Reserve Account") is hereby created within the Sewer Fund.

(1) The City shall maintain a balance in the Reserve Account at least equal to the Required Reserve. Monies required to be

maintained in the Reserve Account will be used only to pay Bond principal and interest and redemption charges, if any, and only in the event that the Net Operating Revenues and monies in the Redemption Account are insufficient to pay Bond principal and interest when due.

(2) The City covenants with the owners of the Bonds that it will, on each Bond payment date so long as any Bonds remain outstanding, deposit from the Net Operating Revenues into the Reserve Account an amount such that the balance in the Reserve Account will at least equal the Required Reserve. In the event the amount on deposit in the Reserve Account is less than the Required Reserve, the deficiency shall be eliminated from payments for such purpose available from the Sewer Fund, in proportionate monthly amounts so that the Required Reserve 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 Required Reserve, any such excess may be transferred, to the Construction Fund, or, after completion of the Project, to the Redemption Account.

(3) The balance in the Reserve Account shall include, in addition to cash deposits and bond proceeds, the face amount of any Reserve Equivalents.

(4) Monies in the Reserve Account may be invested only in "Permitted Investments."

C. The Equipment Replacement and Operating Reserve Account (the "Operating Reserve Account") is hereby created in the Sewer Fund.

(1) The City shall fund the Operating Reserve Account, to the extent funds are available, as described in the City's Five Year Financial Plan which has been incorporated into the Report on the City's Wastewater Utility Financial Plan, Cost of Service and User Charge Design Analysis, prepared by Watson Consulting Service.

Section 15. Rate Covenant.

A. The City covenants that it will charge rates and fees in connection with the operation of the Sewer System which, when combined with other Gross Revenues, are adequate to generate Net Operating Revenues in each fiscal year at least equal to 1.25 times Bond principal and interest due in that fiscal year. If the Net Operating Revenues fail to meet this level, the City will promptly increase its rates and fees to a level so that Net Operating Revenues are projected to meet the required level. The City will demonstrate its compliance with the provisions of this Section 15 by providing a report, 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, and shall be filed with the City Recorder.

B. The City shall annually, within six months after the close of each Fiscal Year, file with the City Recorder an City Certificate showing for the preceding Fiscal Year (i) Net Operating Revenues and (ii) the debt service requirements for such Fiscal Year. If the statement filed shows that such Net Operating Revenues are less than one hundred twenty-five percent (125%) of such debt service requirements, then the City shall simultaneously file with the City Recorder 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 Operating Revenues sufficient to provide that such Net Revenues would have been at least equal to one hundred twenty-five percent (125%) of such debt service requirements, together with a copy of a resolution, adopted by the 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.

Section 16. General Covenants.

A. The City hereby covenants and agrees with the owners of all outstanding Bonds as follows:

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

(2) That it will maintain complete books and records relating to the operation of the Sewer 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 Net Operating Revenues.

(4) That it will promptly deposit into all funds and accounts all sums required to be so deposited.

(5) That it will operate the Sewer System in a sound, efficient and economic manner.

(6) The City will at all times maintain with responsible insurers all such insurance on the Project 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 Project is damaged or destroyed, such part will be restored to use. The money collected from insurance against accident to or destruction of the physical Project will be used for repairing or rebuilding the damaged or destroyed Project, 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 Redemption Account.

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 may not sell or exchange or otherwise dispose of any property constituting a part of the Sewer System unless such property is either worn out or obsolete or, in the opinion of the City and as certified and notice given by the City Administrator to Trustee for any item whose purchase or book value exceeds \$250,000, is no longer useful in the operation of the Sewer System. Any proceeds of such sale, exchange or other disposition not used to replace the property so sold or exchanged shall be deposited in the General Fund or Capital Replacement Fund.

(8) The City shall not incur debt or other obligations except (a) as authorized by this Resolution or (b) for Permitted Indebtedness as defined in this Resolution.

Section 17. Maintenance of Tax-Exempt Status.

A. The City covenants for the benefit of the owners of the Bonds to comply with all provisions of the Code which are required for Bond interest to be excluded from gross income for federal taxation purposes (except for taxes on corporations), unless the City obtains an opinion of nationally recognized bond counsel that such compliance is not required in order for the interest paid on the Bonds to be so excluded. The City makes the following specific covenants with respect to the Code:

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

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

(3) The City shall comply with appropriate reporting requirements.

(4) The City shall pay, when due, all rebates on the gross proceeds of the Bonds which are required under Section 148 of the Code.

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

Section 18. Parity Obligations.

A. The City may issue Parity Obligations, which for this section, included the Parity Notes, to provide funds for any purpose relating to the Sewer System which is authorized by law, but only upon the following conditions:

(1) No Default has occurred and is continuing;

(2) At the time of the issuance of the Parity Obligations there is no deficiency in the Redemption Account and the Reserve Account;

(3) The Resolution authorizing the issuance of the Parity Obligations requires that a deposit be made at closing sufficient to bring the balance in the Reserve Account equal to the Required Reserve for all outstanding Bonds, including the proposed Parity Obligations.

(4) The Resolution authorizing the issuance of the Parity Obligations contains a covenant requiring the City to charge rates and fees projected to generate Net Operating Revenues equal to the amount described in Section 15 of this Resolution, including the proposed Parity Obligations.

(5) Either (i) the Net Operating Revenues for any 12 consecutive months during the 18 months preceding the date of issuance of the Parity Obligations were not less than 1.25 times the sum of the actual debt service of the Bonds and the Bonds for the immediately preceding 12 months, plus the average annual debt service for the proposed Parity Obligations as certified by a qualified engineering, auditing, or other qualified firm; or (ii) the Net Operating Revenues, as projected for the next ensuing three fiscal years and as certified by a qualified engineering, auditing, or other qualified firm (including any rate

increases adopted by the Council) are not less than 1.25 times the actual debt service for the ensuing three fiscal year's debt service on all outstanding Bonds and the Parity Notes plus the average annual debt service on the proposed Parity Obligations.

B. The City may issue Parity Obligations to refund Outstanding Bonds, notwithstanding the requirements of Section 18.A, if the required debt service of the refunding bonds does not exceed the debt service for the refunded bonds payable in any Fiscal Year.

The requirements of Section 18.A shall apply if the debt service on the refunding bonds exceeds the debt service on the refunded bonds payable in any Fiscal Year.

C. The City may issue (1) Parity Notes; and, (2) additional revenue bonds in an amount not to exceed \$500,000, if required to complete the Project, notwithstanding the requirements of this Section 18.

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

Section 19. Subordinate Obligations. The City may issue Subordinate Obligations to provide funds for any purpose authorized by law, provided no default has occurred and is continuing. All Subordinate Obligations shall have a lien on the Net Operating Revenues which is subordinate to the lien of the Bonds, the Parity Notes and all Parity Obligations issued in accordance with Section 18 of this Resolution. In the event of any insolvency or bankruptcy proceedings relative to the City or to its property, the holders of the Bonds, the Bonds and the Parity Obligations shall be entitled to receive payment in full of all principal, premium (if any) and interest thereon (including interest accruing after the commencement of any proceeding) before the holders of the Subordinated Obligations are entitled to receive any payment on account of principal, premium (if any) or principal upon the Subordinated Obligations.

Section 20. Default.

A. The following events shall constitute Default:

- (1) Failure to pay Bond principal or interest when due; or
- (2) Failure to perform any other obligation of the City imposed by this Resolution or the Bonds, but only if:
 - (a) the failure continues for a period of more than ninety (90) days after demand has been made on the City by the Trustee to remedy the failure; and
 - (b) the City fails to take reasonable steps to remedy the failure within that ninety-day period; or

(3) Imposition of a receivership upon, or liquidation of, the General Fund; or,

(4) Written admission by the City that the City is unable to pay its debts as they become due.

Section 21. Remedies on Default.

A. Whenever any Event of Default exists, Owners representing 51 percent or more of outstanding Bonds, may, without any further demand or notice, take one or more of the following remedial steps:

(1) Declare all the Bonds immediately due and payable, together with interest accrued thereon to the date of payment;

(2) Exercise any other remedy available at law or in equity, except that the Property shall not be subject to foreclosure or attachment.

B. Whenever any Event of Default exists, Owners representing 51 percent or more of the outstanding Bonds may appoint a commercial bank with a reported capital and surplus in excess of \$50 million as trustee to represent the interests of said Bondowners.

Section 22. No Remedy Exclusive. No remedy herein conferred upon or reserved to Bondowners is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Bondowners to exercise any remedy reserved to it in this Section it shall not be necessary to give any notice, other than such notice as may be required in this Section.

Section 23. Amendment of Resolution.

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

(1) To add to the covenants and agreements of the City in this Resolution any other covenants and agreements thereafter to be observed by the City, or to surrender any right or power herein reserved to or conferred upon the City which in the opinion of a nationally recognized bond counsel, filed with the Council, does not adversely affect the interests of the Bondowners.

(2) To cure any ambiguity or formal defect contained in this Resolution, if that cure does not, in the opinion of a nationally recognized bond counsel, filed with the Council, adversely affect the interests of the Bondowners.

(3) To issue Parity Obligations in accordance with Section 18 hereof.

B. This Resolution may be amended for any other purpose only upon consent of Bondowners of not less than 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 of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Bondowner; or

(2) Reduces the percent of Bondowners required to approve amendatory resolutions.

Section 24. Defeasance. The lien of the Bonds upon the Net Operating Revenues may be defeased, and the Bonds shall be deemed paid, if the City places in irrevocable escrow direct obligations of, or obligations guaranteed by, the United States which are calculated to be sufficient, without reinvestment, to pay principal, interest and any premium on the Bonds as they become due, either at maturity or on prior redemption.

Section 25. Bank Qualified. The City hereby designates the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The City covenants not to so designate tax-exempt obligations in the current calendar year in an aggregate amount of more than \$10,000,000. The City does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during the current calendar year.

Section 26. Sale of Bonds.

A. Within the limits established by this Resolution, the City Administrator may, on behalf of the City:

(1) establish the final terms of the sale, including payment dates, maturity schedule (of a period not to exceed 30 years), interest payment dates, redemption provisions (including any requirements for mandatory redemption), and other terms on which the Bonds shall be sold;

(2) execute a Bond Purchase Agreement for the Bonds, and fix the price and terms on which the Bonds shall be sold to their Underwriter, and sell the Bonds; and,

(3) take any other action desirable to issue, sell and deliver the Bonds in accordance with this resolution.

The City Administrator shall report the results of the sale to the City Council promptly.

Section 27. Additional Actions.

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

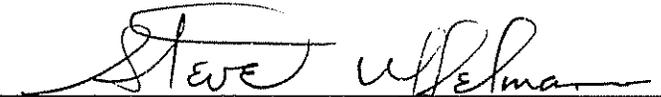
B. The City Administrator of the City and his designee are authorized and empowered to obtain a policy of insurance, a letter of credit, or any other form of enhancement of credit under the Bonds, to provide further assurance to Bondowners of the payment of the principal and interest on the Bonds, and the payment of the sum or charge (if any) for the investment from the proceeds of the Bonds is authorized and approved and to enter into a Trust Agreement in accordance with this Resolution.

C. The City Administrator of the City and his designee are authorized to 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 they may deem necessary or appropriate in order to implement the intent and purpose of this Resolution.

Section 28. Resolution No. 722 Repealed. Resolution No. 722, adopted January 28, 1992, is hereby repealed.

DATED this 3rd day of April, 1992

City of Prineville
Crook County, Oregon
By its City Council



Mayor

Attest:



City Recorder

Exhibit A
Letter of Representations

BOOK-ENTRY-ONLY MUNICIPAL BONDS

Letter of Representations
(To be Completed by Issuer and Agent)

City of Prineville, Oregon
[Name of Issuer]

First Interstate Bank of Oregon, N.A.
[Name of Agent]

April 1, 1992
(Date)

Attention: General Counsel's Office
The Depository Trust Company
55 Water Street: 49th Floor
New York, NY 100-11-0099

Re: \$3,000,000 City of Prineville, Crook County, Oregon First Lien Sewer
Revenue Bonds, Series 1992

(Issue Description)

Ladies and Gentlemen:

This letter sets forth our understanding with respect to certain matters relating to the above-referenced issue (the "Bonds"). Agent will act as trustee, paying agent, fiscal agent, or other agent of Issuer with respect to the Bonds. The Bonds will be issued pursuant to a trust indenture, bond resolution, or other such document authorizing the issuance of the Bonds dated _____, 199__ (the "Document"). Seattle-Northwest Securities Corporation ("Underwriter") is distributing the Bonds through The Depository Trust Company ("DTC").

To induce DTC to accept the Bonds as eligible for deposit at DTC, and to act in accordance with its Rules with respect to the Bonds, Issuer and Agent, if any, make the following representations to DTC:

1. Prior to closing on the Bonds on April 23, 1992, there shall be deposited with DTC one Bond certificate registered in the name of DTC's nominee, Cede & Co., for each stated maturity of the Bonds in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Bonds. If, however, the aggregate principal amount of any maturity exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount. Each \$150 million Bond certificate shall bear the following legend:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

2. In the event of any solicitation of consents from or voting by holders of the Bonds, Issuer or Agent shall establish a record date for such purposes (with no provision for revocation of consents or votes by subsequent holders) and shall, to the extent possible, send notice of such record date to DTC not less than 15 calendar days in advance of such record date.

3. In the event of a full or partial redemption or an advance refunding of part of the outstanding Bonds, Issuer or Agent shall send a notice to DTC specifying: (a) the amount of the redemption or refunding; (b) in the case of a refunding, the maturity date(s) established under the refunding; and (c) the date such notice is to be mailed to beneficial owners or published (the "Publication Date"). Such notice shall be sent to DTC by a secure means (*e.g.*, legible telecopy, registered or certified mail, overnight delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. Issuer or Agent shall forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers (if applicable) which includes a manifest or list of each CUSIP submitted in that transmission. (The party sending such notice shall have a method to verify subsequently the use of such means and the timeliness of such notice.) The Publication Date shall be not less than 30 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date that the proceeds are deposited in escrow.

4. In the event of an invitation to tender the Bonds, notice by Issuer or Agent to Bondholders specifying the terms of the tender and the Publication Date of such notice shall be sent to DTC by a secure means in the manner set forth in the preceding Paragraph.

5. All notices and payment advices sent to DTC shall contain the CUSIP number of the Bonds.

6. Notices to DTC pursuant to Paragraph 2 by telecopy shall be sent to DTC's Reorganization Department at (212) 709-6896 or (212) 709-6897, and receipt of such notices shall be confirmed by telephoning (212) 709-6870. Notices to DTC pursuant to Paragraph 2 by mail or by any other means shall be sent to:

Supervisor; Proxy
Reorganization Department
The Depository Trust Company
7 Hanover Square; 23rd Floor
New York, NY 10004-2695

7. Notices to DTC pursuant to Paragraph 3 by telecopy shall be sent to DTC's Call Notification Department at (516) 227-4164 or (516) 227-4190. If the party sending the notice does not receive a telecopy receipt from DTC confirming that the notice has been received, such party shall telephone (516) 227-4070. Notices to DTC pursuant to Paragraph 3 by mail or by any other means shall be sent to:

Call Notification Department
The Depository Trust Company
711 Stewart Avenue
Garden City, NY 11530-4719

8. Notices to DTC pursuant to Paragraph 4 and notices of other actions (including mandatory tenders, exchanges, and capital changes) by telecopy shall be sent to DTC's Reorganization Department at (212) 709-1093 or (212) 709-1094, and receipt of such notices shall be confirmed by telephoning (212) 709-6884. Notices to DTC pursuant to the above by mail or by any other means shall be sent to:

Manager; Reorganization Department
Reorganization Window
The Depository Trust Company
7 Hanover Square; 23rd Floor
New York, NY 10004-2695

9. Transactions in the Bonds shall be eligible for next-day funds settlement in DTC's Next-Day Funds Settlement ("NDFS") system.

A. Interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co. Absent any other existing arrangements such payments shall be addressed as follows:

Manager; Cash Receipts
Dividend Department
The Depository Trust Company
7 Hanover Square; 24th Floor
New York, NY 10004-2695

B. Principal payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between Issuer or Agent and DTC). Such payments shall be made payable to the order of Cede & Co., and shall be addressed as follows:

NDFS Redemption Department
The Depository Trust Company
55 Water Street; 50th Floor
New York, NY 10041-0099

10. DTC may direct Issuer or Agent to use any other telephone number or address as the number or address to which notices or payments of interest or principal may be sent.

11. In the event of a redemption, acceleration, or any other similar transaction (*e.g.*, tender made and accepted in response to Issuer's or Agent's invitation) necessitating a reduction in the aggregate principal amount of Bonds outstanding or an advance refunding of part of the Bonds outstanding, DTC, in its discretion: (a) may request Issuer or Agent to issue and authenticate a new Bond certificate, or (b) may make an appropriate notation on the Bond certificate indicating the date and amount of such reduction in principal except in the case of final maturity, in which case the certificate will be presented to Issuer or Agent prior to payment if required.

12. In the event that Issuer determines that beneficial owners of Bonds shall be able to obtain certificated Bonds. Issuer or Agent shall notify DTC of the availability of Bond certificates. In such event, Issuer or Agent shall issue, transfer, and exchange Bond certificates in appropriate amounts, as required by DTC and others.

13. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent (at which time DTC will confirm with Issuer or Agent the aggregate principal amount of Bonds outstanding). Under such circumstances, at DTC's request Issuer and Agent shall cooperate fully with DTC by taking appropriate action to make available one or more separate certificates evidencing Bonds to any DTC Participant having Bonds credited to its DTC accounts.

14. Nothing herein shall be deemed to require Agent to advance funds on behalf of Issuer.

Notes:

A. If there is an Agent (as defined in this Letter of Representations). Agent as well as Issuer must sign this Letter. If there is no Agent, in signing this Letter Issuer itself undertakes to perform all of the obligations set forth herein

B. Under Rules of the Municipal Securities Rulemaking Board relating to "good delivery", a municipal securities dealer must be able to determine the date that a notice of a partial call or of an advance refunding of a part of an issue is published (the "publication date"). The establishment of such a publication date is addressed in Paragraph 3 of the Letter.

C. Schedule B contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters

Very truly yours,

City of Prineville, Oregon
(Issuer)

By: _____
(Authorized Officer's Signature)

First Interstate Bank of Oregon, N.A.
(Agent)

By: _____
(Authorized Officer's Signature)

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____
(Authorized Officer)

CC: Underwriter
Underwriter's Counsel

SCHEDULE A

(Describe Issue)

CUSIP

Principal Amount

Maturity Date

Interest Rate

SCHEDULE B

SAMPLE OFFICIAL STATEMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1 The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities") The Securities will be issued as fully-registered securities registered in the name of Cede & Co (DTC's partnership nominee) One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC [If, however, the aggregate principal amount of [any] issue exceeds \$150 million, one certificate will be issued with respect to each \$150 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue]

2 DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 DTC holds securities that its participants ("Participants") deposit with DTC DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc , the American Stock Exchange, Inc , and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants") The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5 Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[6 Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed]

7 Neither DTC nor Cede & Co will consent or vote with respect to Securities Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co 's consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy)

8 Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10 DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Exhibit B(1)
Form of Bond - Book-Entry Only

No. R-____ \$_____

United States of America
State of Oregon
City of Prineville
Crook County, Oregon
First Lien Sewer System Revenue Bond
Series 1992

Dated Date: April 1, 1992
Interest Rate:
Maturity Date:
CUSIP Number:

Registered Owner: -----Cede & Co.-----
Principal Amount: ----- _____ DOLLARS-----

The City of Prineville, Crook County, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources indicated below, the Principal Amount on the Maturity Date together with interest thereon from the date hereof at the rate per annum indicated above. Interest is payable semiannually on the first days of July and January in each year until maturity or prior redemption, commencing January 1, 1993. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns in next day funds on each payment date. Such payments shall be made payable to the order of "Cede & Co."

This revenue Bond is not a general obligation or liability of the City, and is payable solely from the Net Operating Revenues of the Sewer System as provided in Resolution No. _____ of the City (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 Operating Revenues of the Sewer System to the payment of principal and interest on this Bond on a parity with its Bonds.

This Bond is one of a series of \$3,000,000 aggregate principal amount of First Lien Sewer System Revenue Bonds, Series 1992, of the City, and is issued by the City for the purpose of financing sewerage facility improvements in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The City reserves the right to redeem all or any portion of the Bonds maturing on _____, _____, by lot on _____, _____, and on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption.

The Bonds maturing _____, _____, shall be subject to mandatory redemption, 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:

Year	Amount	Year	Amount
-------------	---------------	-------------	---------------

The Bonds maturing _____, _____, shall be subject to mandatory redemption, 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:

Year	Amount	Year	Amount
-------------	---------------	-------------	---------------

Bonds optionally redeemed may be credited against the mandatory redemption by lot as determined by the Paying Agent.

Notice of any call for redemption, unless waived by the owners of the Bonds to be redeemed, shall be mailed not less than thirty days and not more than sixty days prior to such call to the registered owners of the Bonds, and otherwise given as required the Resolution, the Letter of Representations and by law; however, any failure to give notice shall not invalidate the redemption of the Bonds. All Bonds called for redemption shall cease to bear interest from the date designated in the notice.

The Bonds are issuable in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Bonds may be exchanged for an equal aggregate principal amount of registered Bonds of the same maturity and of any other authorized denominations in the manner, and subject to the conditions set forth 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. This Bond may be transferred only by surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and which is executed by the registered owner or his duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Resolution. The City and the Registrar may treat the person in whose name this Bond is registered on the Bond Register as its absolute owner for all purposes, as provided in the Resolution.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

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

IN WITNESS WHEREOF, the City Council of the City of Prineville, Crook County, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of the Recorder of the City, as of the date indicated above.

City of Prineville
Crook County, Oregon

Mayor

Attest:

Recorder

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

DATED:

Certificate of Authentication

This is one of the City of Prineville, Crook County, Oregon, Sewer Revenue Bonds, Series 1992 issued pursuant to the Resolution described herein.

First Interstate Bank of Oregon, N.A., as Registrar

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 _____
_____ 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.

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

this Bond and in the Resolution. The City has pledged the Net Operating Revenues of the Sewer System to the payment of principal and interest on this Bond on a parity with its Bonds.

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

IN WITNESS WHEREOF, the City Council of the City of Prineville, Crook County, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of the Recorder of the City, as of the date indicated above.

City of Prineville
Crook County, Oregon



Mayor

Attest:

Recorder

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

DATED:

Certificate of Authentication

This is one of the City of Prineville, Crook County, Oregon, First Lien Sewer System Revenue Bonds, Series 1992 issued pursuant to the Resolution described herein.

First Interstate Bank of Oregon, N.A., as Registrar

Authorized Officer

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

This Bond is one of a series of \$3,000,000 aggregate principal amount of First Lien Sewer System Revenue Bonds, Series 1992, of the City, and is issued by the City for the purpose of financing sewerage facility improvements in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The City reserves the right to redeem all or any portion of the Bonds maturing on _____, _____, by lot on _____, _____, and on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption.

The Bonds maturing _____, _____, shall be subject to mandatory redemption, 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:

Year	Amount	Year	Amount
------	--------	------	--------

The Bonds maturing _____, _____, shall be subject to mandatory redemption, 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:

Year

Amount

Year

Amount

Bonds optionally redeemed may be credited against the mandatory redemption by lot as determined by the Paying Agent.

Notice of any call for redemption, unless waived by the owners of the Bonds to be redeemed, shall be mailed not less than thirty days and not more than sixty days prior to such call to the registered owners of the Bonds, and otherwise given as required the Resolution and by law; however, any failure to give notice shall not invalidate the redemption of the Bonds. All Bonds called for redemption shall cease to bear interest from the date designated in the notice.

The Bonds are issuable in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Bonds may be exchanged for an equal aggregate principal amount of registered Bonds of the same maturity and of any other authorized denominations in the manner, and subject to the conditions set forth 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. This Bond may be transferred only by surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and which is executed by the registered owner or his duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Resolution. The City and the Registrar may treat the person in whose name this Bond is registered on the Bond Register as its absolute owner for all purposes, as provided in the Resolution.

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 _____
_____ 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.

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 -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship
and not as tenants in common
- OREGON CUSTODIANS use the following
_____ CUST UL OREG _____ MIN
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.

increases adopted by the Council) are not less than 1.25 times the actual debt service for the ensuing three fiscal year's debt service on all outstanding Bonds and the Parity Notes plus the average annual debt service on the proposed Parity Obligations.

B. The City may issue Parity Obligations to refund Outstanding Bonds, notwithstanding the requirements of Section 18.A, if the required debt service of the refunding bonds does not exceed the debt service for the refunded bonds payable in any Fiscal Year.

The requirements of Section 18.A shall apply if the debt service on the refunding bonds exceeds the debt service on the refunded bonds payable in any Fiscal Year.

C. The City may issue (1) Parity Notes; and, (2) additional revenue bonds in an amount not to exceed \$500,000, if required to complete the Project, notwithstanding the requirements of this Section 18.

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

Section 19. Subordinate Obligations. The City may issue Subordinate Obligations to provide funds for any purpose authorized by law, provided no default has occurred and is continuing. All Subordinate Obligations shall have a lien on the Net Operating Revenues which is subordinate to the lien of the Bonds, the Parity Notes and all Parity Obligations issued in accordance with Section 18 of this Resolution. In the event of any insolvency or bankruptcy proceedings relative to the City or to its property, the holders of the Bonds, the Bonds and the Parity Obligations shall be entitled to receive payment in full of all principal, premium (if any) and interest thereon (including interest accruing after the commencement of any proceeding) before the holders of the Subordinated Obligations are entitled to receive any payment on account of principal, premium (if any) or principal upon the Subordinated Obligations.

Section 20. Default.

A. The following events shall constitute Default:

- (1) Failure to pay Bond principal or interest when due; or
- (2) Failure to perform any other obligation of the City imposed by this Resolution or the Bonds, but only if:
 - (a) the failure continues for a period of more than ninety (90) days after demand has been made on the City by the Trustee to remedy the failure; and
 - (b) the City fails to take reasonable steps to remedy the failure within that ninety-day period; or