

RESOLUTION NO. 498

A RESOLUTION AUTHORIZING ISSUANCE AND SALE OF GENERAL OBLIGATION REFUNDING WATER BONDS, SERIES 1992.

BE IT RESOLVED by the Stayton City Council as follows:

SECTION 1. FINDINGS

The Common Council of the City of Stayton finds:

1. The City is authorized pursuant to the Constitution and laws of the State of Oregon to issue advance refunding bonds for its outstanding general obligation bonds.
2. Issuing advance refunding bonds to refund the callable portion of the City's General Obligation Water Bonds, Series 1990, (the "Refundable Bonds") will benefit the City and its taxpayers by reducing debt service costs; and,
3. The approval of the State Treasurer is required before such advance refunding bonds may be issued; and,
4. An advance refunding plan must be submitted to the State Treasurer demonstrating that the advance refunding will produce debt service savings before the State Treasurer may approve the advance refunding; and,
5. Seattle-Northwest Securities Corporation has prepared an advance refunding plan for the Refundable Bonds; and
6. The City expects to issue its advance refunding bonds if the State Treasurer approves of the advance refunding.

SECTION 2. PLAN SUBMISSION; EXPERTS

Seattle-Northwest Securities Corporation is hereby authorized, on behalf of the City, to submit an advance refunding plan for the Refundable Bonds to the State Treasurer for review and approval. Seattle-Northwest Securities Corporation is hereby appointed underwriter for the proposed refunding bonds, Preston Thorgrimson Shidler Gates & Ellis is appointed bond counsel, and Moore, Breithaupt and Associates is appointed as financial advisor.

SECTION 3. BONDS AUTHORIZED

For the above purpose, the City shall issue its General Obligation Refunding Water Bonds, Series 1992 (the "Refunding Bonds"). The City Administrator or the Finance Director

RESOLUTION NO. 498

Authorizing issuance and sale of General Obligation Water Bonds, Series 1992

Page 1 of 9

MAHWASTAYTON 92STAYAREE.DOC

(the "City Official"), on behalf of the City, and without further action by the Common Council, may:

1. Participate in the preparation and authorize the distribution of a preliminary official statement or other disclosure document for the Refunding Bonds;
2. Appoint a paying agent and an escrow agent to provide services in connection with the Refunding Bonds;
3. Negotiate the terms of, and execute, a bond purchase agreement with the underwriter;
4. Establish the principal amount, interest rates, redemption terms, payment dates and other terms of the Refunding Bonds, provided that the Refunding Bonds produce debt service savings having a present value of not less than three percent of the principal amount of the Refunding Bonds;
5. Execute and deliver an escrow deposit agreement (the "Escrow Deposit Agreement"), in substantially the form attached as Exhibit B, with such changes as the City Official finds are in the best interests of the City, and authorize the purchase of securities to be held under the Escrow Deposit Agreement; and
6. Issue, sell and deliver the Refunding Bonds, and execute and deliver any related certificates or documents which are reasonably required to refund the Refundable Bonds in accordance with this resolution.

SECTION 4. REFUNDING BOND BOOK-ENTRY-FORM

The Refunding Bonds shall be initially issued in book-entry-form, with no Refunding Bonds being made available to the Bondowners. The City Official shall execute and deliver letters of representations to The Depository Trust Company, New York, New York ("DTC") for the Refunding Bonds, in form and substance satisfactory to DTC. So long as the Refunding Bonds are in book-entry-form:

1. Ownership of the Refunding Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on the DTC system. The Refunding Bonds shall be initially issued in the form of a global bond. Each global bond shall be registered in the name of Cede & Co. as nominee of DTC as the owner of the Refunding Bond, and such global bonds shall be lodged with DTC until early redemption or maturity of the Refunding Bond issue.
2. The Registrar shall remit payment for the maturing principal and interest on the Refunding Bonds to DTC as owner of the Refunding Bonds for distribution by the nominee to the beneficial owners by recorded entry on the books of DTC

RESOLUTION NO. 498

Authorizing issuance and sale of General Obligation Water Bonds, Series 1992

Page 2 of 9

M:\HW\STAT\TON.92\STATARES.DOC

participants and correspondents. While the Refunding Bonds are in book-entry-form, the Refunding Bonds will be available in denominations of \$5,000 or any integral multiple thereof.

3. In the event:
 - (i) DTC determines not to continue to act as securities depository for the Refunding Bonds, or
 - (ii) the City determines that DTC shall no longer so act;

then the City will discontinue maintaining the Refunding Bonds in the book-entry-form with DTC.

4. Notwithstanding the provisions regarding exchange and transfer of Refunding Bonds set forth in this resolution, while the Refunding Bonds are in book-entry-form they may not be transferred or exchanged on the registration books maintained by the Paying Agent except:
 - (i) to any successor depository designated by the City as provided below;
 - (ii) to any successor nominee designated by a depository; or
 - (iii) if the City elects to discontinue maintaining the Refunding Bonds in book-entry-form, the City shall cause the Paying Agent to authenticate and deliver replacement Refunding Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth herein, regarding registration, transfer and exchange of Refunding Bonds shall apply.
5. Upon the resignation of any institution acting as depository hereunder, or if the City determines that continuation of any institution in the role of depository is not in the best interests of the beneficial owners, the City shall attempt to identify another institution qualified to act as depository hereunder or shall discontinue maintaining the Refunding Bonds in book-entry-form by resolution or ordinance. If the City is unable to identify such successor depository prior to the effective date of the resignation, the City shall discontinue maintaining the Refunding Bonds in book-entry-form as provided above.
6. With respect to Refunding Bonds registered in the registration books maintained by the Paying Agent in the name of the nominee of DTC, the City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:

- (i) the accuracy of the records of DTC, the Nominee or any participant or correspondent with respect to any beneficial owner's interest in the Refunding Bonds;
 - (ii) the delivery to any participant or correspondent or any other person of any notice with respect to the Refunding Bonds, including any notice of prepayment;
 - (iii) the selection by DTC of the beneficial interest in Refunding Bonds to be redeemed prior to maturity; or
 - (iv) the payment to any participant, correspondent, or any other person other than the registered owner of the Refunding Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal or interest on the Refunding Bonds.
7. So long as the Refunding Bonds are in book-entry-form, the Paying Agent will give any notice of redemption or any other notices required to be given to registered owners of Refunding Bonds only to DTC or its nominee registered as the registered owner thereof. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of the Refunding Bonds called for redemption or of any other action premised on such notice. Neither the City nor the Paying Agent is responsible or liable for the failure of DTC or any participant to make any payment or give any notice to a beneficial owner in respect of the Refunding Bonds or any error or delay relating thereto.
8. The City shall pay or cause to be paid all principal and interest on the Refunding Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying 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.
9. Upon delivery by DTC to the City and to the owner of written notice to the effect that DTC has determined to substitute a new nominee in place of the nominee, then the word "nominee" in this resolution shall refer to such new nominee of DTC, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. DTC shall tender the Refunding Bonds it holds to the Paying Agent for reregistration.
10. The provisions of this Section may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC for bonds issued in book-entry-form.

SECTION 5. NOTICE OF REDEMPTION OF BONDS

1. Notice of Redemption (DTC). So long as the Refunding Bonds are in book-entry-form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the Refunding Bonds.
2. Notice of Redemption (No DTC). During any period in which the Refunding Bonds are not in book-entry-form, unless waived by any Owner of the Refunding Bonds to be redeemed, official notice of any redemption of Refunding Bonds shall be given by the Paying Agent 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 Owner of the Refunding 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 owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:
 - (i) the redemption date,
 - (ii) the redemption price,
 - (iii) if less than all outstanding Refunding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Refunding Bonds to be redeemed,
 - (iv) that on the redemption date the redemption price will become due and payable upon each such Refunding Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
 - (v) the place where such Refunding Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

SECTION 6. AUTHENTICATION, REGISTRATION AND TRANSFER

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

2. The ownership of all Refunding Bonds shall be entered in the bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the bond register as the owner of the Refunding Bond for all purposes.
3. While the Refunding Bonds are in book-entry-form, the Paying Agent shall transfer Refunding Bond principal and interest payments in the manner required by DTC.
4. If the Refunding Bonds cease to be in book-entry-form, the Paying Agent shall mail each interest payment on the interest payment date (or the next business day if the payment date is not a business day) to the name and address of the Refunding Bondowners as they appear on the bond register as of the fifteenth day of the month preceding an interest payment date (the "Record Date"). If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
5. Refunding Bonds may be exchanged for an equal principal amount of Refunding Bonds of the same maturity which are in different denominations, and Refunding Bonds may be transferred to other owners if the Refunding Bondowner submits the following to the Paying Agent:
 - (i) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Refunding Bondowner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and
 - (ii) the Refunding Bonds to be exchanged or transferred.
6. The Paying Agent shall not be required to exchange or transfer any Refunding Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Refunding Bonds shall be exchanged or transferred promptly following that payment date.
7. The Paying Agent shall note the date of authentication on each Refunding Bond. The date of authentication shall be the date on which the Refunding Bondowner's name is listed on the bond register.
8. For purposes of this section, Refunding Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 5.
9. The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Refunding 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 7. SECURITY FOR REFUNDING BONDS.

Pursuant to ORS 288.160 the City may issue general obligation bonds to refund general obligation bonds which were issued before November 6, 1990, and to refund general obligation bonds which were issued for capital construction or improvements, upon compliance with the provisions of that statute. The Refundable Bonds were issued with approval of the voters before November 6, 1990, for capital construction and improvements, and the Refunding Bonds shall be issued in compliance with ORS 288.160. Accordingly, the Refunding Bonds shall replace the Refundable Bonds which are refunded by the Refunding Bonds, and the full faith and credit of the City are pledged to the successive owners of each of the Refunding Bonds for the punctual payment of such obligations, when due. The City shall levy annually, as provided by law, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes and other moneys available for the payment of debt service on the Refunding Bonds, to pay the Refunding Bonds promptly as they mature. The City covenants with the owners of the Refunding Bonds to levy such a tax annually during each year that any of the Refunding Bonds, or bonds issued to refund them, are outstanding.

SECTION 8. REFUNDING BOND INSURANCE

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

SECTION 9. FORM OF REFUNDING BONDS

The Refunding Bonds shall be in substantially the form attached hereto as Exhibit A, with such changes as may be approved by the City Official. The Refunding Bonds may be printed or typewritten, and may be issued as one or more temporary Refunding Bonds which shall be exchangeable for definitive Refunding Bonds when definitive Refunding Bonds are available.

SECTION 10. EXECUTION

The Refunding Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and the City Recorder or City Official.

SECTION 11. TAX-EXEMPT STATUS

The City covenants to use the proceeds of the Refunding Bonds, and the facilities financed with the Refundable Bonds, and to otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") so that interest paid on the Refunding Bonds will not be includable in gross income of the bondowners. The City specifically covenants:

RESOLUTION NO. 498

Authorizing issuance and sale of General Obligation Water Bonds, Series 1992

Page 7 of 9

M:\FW\STAYTON.92\STAYARRS.DOC

1. to comply with the "arbitrage" provisions of Section 148 of the Code, and pay any rebates due to the United States on the gross proceeds of the Refunding Bonds;
2. to yield restrict and pay any rebates due to the United States on any unexpended proceeds of the Refundable Bonds; and
3. to operate the facilities which were financed with the proceeds of the Refundable Bonds, and any facilities which are financed with the unexpended proceeds of the Refundable Bonds, so that the Refunding Bonds are not "private activity bonds" under Section 141 of the Code.

The City Official may enter into covenants on behalf of the City to protect the tax-exempt status of the Refunding Bonds.

SECTION 12. ESCROW

The net proceeds of the Refunding Bonds shall be placed in irrevocable escrow, pursuant to the Escrow Deposit Agreement. The escrow agent or the City Official are hereby authorized to subscribe for and purchase the government obligations to be placed in the escrow, on behalf of the City.

SECTION 13. REDEMPTION OF REFUNDABLE BONDS

Contingent solely on the issuance of the Refunding Bonds and the deposit of the net proceeds with the escrow agent, the City hereby irrevocably calls for redemption all of the Refundable Bonds on February 1, 1997, which is the earliest date on which they are subject to redemption.

SECTION 14. DEFEASANCE

If the City:

1. irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient for the payment of Refunding Bonds which are to be defeased; and,
2. files with the escrow agency or trustee an opinion from an independent, certified public accountant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Refunding Bonds when due; and,
3. files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the Refunding Bonds to be includable in gross income under the Code;

RESOLUTION NO. 498

Authorizing issuance and sale of General Obligation Water Bonds, Series 1992

Page 8 of 9

ACUHWRS1AYTON:92STAYAREEDOC

then the City shall be obligated to pay the defeased Refunding Bonds solely from the money and Government Obligations deposited with the escrow agent or trustee, and the City shall have no further obligation to pay the defeased Refunding Bonds from any source except the amounts deposited in the escrow. For purposes of this section, "Government Obligations" means direct obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

ADOPTED BY THE COMMON COUNCIL OF THE CITY OF STAYTON, OREGON on the 8th day of September 1992.

Signed by the Mayor this 09 day of September 1992

Willmer Van Vleet 9-09-92
WILLMER VAN VLEET, MAYOR Date

David W. Kinney 9-09-92
DAVID W. KINNEY, CITY ADMINISTRATOR Date

APPROVED AS TO FORM Harvey W. Rogers 9/2/92
HARVEY W. ROGERS, BOND COUNSEL Date

EXHIBIT A
(Form of Bond)

No. R- _____

\$ _____

United States of America
State of Oregon
City of Stayton
Marion County, Oregon
General Obligation Refunding Water Bonds
Series 1992

Dated Date: _____, 1, 1992

Interest Rate: _____%

Maturity Date:

CUSIP Number:

Registered Owner: -----

Principal Amount: ----- DOLLARS-----

City of Stayton, Marion County, 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 as indicated above on the above maturity date together with interest thereon from the date hereof at the rate per annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of _____ and the first day of _____ in each year until maturity or prior redemption, commencing _____ 1, 199_. Interest upon this bond is payable by check or draft through the principal corporate trust office of the City's paying agent and registrar, which is currently ___ in Portland, Oregon (the "Registrar"). A check or draft will be mailed on the interest payment date (or the next business day if the interest payment date is not a business day) to the registered owner at the address appearing on the bond register as of the fifteenth day of the month prior to the interest payment date. Bond principal is payable upon presentation and surrender of this bond to the Registrar.

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

This bond is one of a duly authorized series of bonds aggregating \$4,405,000 in principal amount designated as General Obligation Refunding Water Bonds, Series 1992 (the "Bonds"). The Bonds are issued for the purpose of advance refunding portions of the City's outstanding General Obligation Water Bonds, Series 1990. The Bonds are issued under and pursuant to Resolution No. _____ (the "Resolution") of the City adopted on _____ and in

full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon of the City.

The Bonds of this issue maturing after _____ 1, 19__ are subject to redemption par plus accrued interest on _____ 1, 19__ and on each interest payment date thereafter.

Notice of redemption shall be published as provided by law and shall be given by registered or certified mail not less than thirty days nor more than sixty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books of the City; 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 denominations of \$5,000 or any integral multiple thereof. This Bond 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 registered only by surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and which is executed by the registered owner or 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.

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 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 and Statutes; and that the City has covenanted to levy a tax upon all taxable property within the City in an amount sufficient, with other available funds, to pay when due the interest on and the principal of the bonds.

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

City of Stayton

Mayor

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 City's \$_____ General Obligation Refunding Water Bonds, Series 1992, issued pursuant to the Resolution described herein.

_____, 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 _____
_____ 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.

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.

EXHIBIT B
Escrow Deposit Agreement

ESCROW DEPOSIT AGREEMENT, dated as of _____, _____, by and between City of Stayton, Marion County, Oregon (the "Issuer"), and _____, Portland, Oregon (the "Escrow Agent") and its successors.

THE PARTIES RECITE:

A. Pursuant to a resolution dated _____, _____ (the "Resolution"), the Issuer has determined to issue its General Obligation Refunding Water Bonds, Series 1992 (the "Refunding Bonds"), for the purpose of providing funds to pay the costs of refunding a portion of the Issuer's currently outstanding General Obligation Water Bonds, Series 1990 (the "Refunded Bonds").

B. The Escrow Agent has reviewed the Resolution and this Agreement, and is willing to serve as Escrow Agent hereunder.

C. The Escrow Agent has received true copies of this Resolution, the ordinance authorizing the issuance of the Refunded Bonds (the "Refunded Bonds Ordinance"), and the verification of _____, Certified Public Accountants, which is dated _____, 1992 (the "Verification").

THE PARTIES AGREE:

Section 1. Notice of Redemption. Pursuant to the Resolution, the General Obligation Water Bonds, Series 1990 have been designated for redemption on February 1, 1997, at a price of 100% of par, plus interest accrued to February 1, 1997.

The Escrow Agent agrees to give notice of the redemption of the Refunded Bonds in the manner provided in the Refunded Bonds Ordinance, and in substantially the form attached hereto as Appendix "A". The Escrow Agent hereby certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds. The content of the notice shall be the responsibility of the Issuer.

Section 2. Establishment of Escrow. There is hereby created and established with the Escrow Agent a special and irrevocable escrow designated the City of Stayton Refunded Bonds Trust Account, Escrow Deposit Fund (the "Escrow Deposit Fund") to be held in the custody of the Escrow Agent separate and apart from other funds of the Issuer or of the Escrow Agent. The Escrow Deposit Fund will contain direct, noncallable obligations of, or noncallable obligations guaranteed by, the United States Government ("Government Obligations") and moneys to be applied as provided herein, which will be in an amount at least sufficient to pay, as of any date of calculation, the principal of and the interest on the Refunded Bonds as the same

shall become due through their redemption on the date indicated in Section 1 hereof, as shown in the Verification.

Section 3. Deposit and Use of Funds. The Escrow Agent hereby acknowledges receipt of (i) the immediately available moneys and (ii) the Government Obligations described in the Verification and agrees to deposit both in the Escrow Deposit Fund.

(a) Such Government Obligations and moneys, together with any income or interest earned thereon, shall be held in escrow and shall be applied solely to the payment of the principal of, and interest on the Refunded Bonds through their redemption date, as shown in the Verification.

(b) The Escrow Agent shall receive the matured principal of and the interest on the Government Obligations as the same are payable. On or before each interest payment date on the Refunded Bonds, the Escrow Agent shall transfer sufficient funds to the paying agent for the Refunded Bonds (the "Paying Agent") for the payment of interest on and principal of the Refunded Bonds pursuant to the schedule shown in the Verification.

Section 4. Irrevocable Escrow. The deposit of the Government Obligations and moneys in the Escrow Deposit Fund shall constitute an irrevocable deposit and escrow for the benefit of the holders of the Refunded Bonds.

Section 5. Reinvestment; Substitution of Investments. Any moneys remaining in the Escrow Deposit Fund after an interest payment date on the Refunded Bonds shall be invested, to the largest integral multiple of \$100 equaling or exceeding \$1,000.00 which is less than the amount remaining, in United States Treasury Obligations, State and Local Government Series, which are purchased at par and bear a zero rate of interest, and mature when such funds are required to pay principal or interest on the Refunded Bonds (as shown in the then applicable verification of an independent certified public accounting firm), or their last redemption date, whichever is earlier. However, such funds may be reinvested in other Government Obligations, or at the direction of the Issuer, the Escrow Agent may redeem the Government Obligations and reinvest the proceeds thereof, together with other moneys held in the Escrow Deposit Fund, in other Government Obligations specified by the Issuer, provided that the Issuer delivers to the Escrow Agent: (a) the opinion of nationally recognized bond counsel that the foregoing actions will not cause interest paid on the Refunding Bonds to become taxable under Federal income tax laws; and (b) the verification of an independent certified public accounting firm that the calculated earnings on the resulting investments in the Escrow Deposit Fund will be sufficient to pay principal and interest due on the Refunded Bonds according to the payment schedule shown in the Verification.

Section 6. Payment and Duties of Escrow Agent.

(a) In consideration of its initial fee, the Escrow Agent agrees to establish the Escrow Deposit Fund, to invest the moneys in that fund pursuant to this Escrow Deposit Agreement and the instructions of the Issuer and make disbursements to the Paying Agent, and to

give notice of redemption, all as herein provided. The Issuer agrees to and shall pay to the Escrow Agent its out-of-pocket expenses, and its reasonable fees and expenses for additional action taken pursuant to this Escrow Deposit Agreement at the request of the Issuer. Such expenses shall include the fees of any independent consultants, including, without limitation, attorneys, regardless of whether formal legal proceedings are required and, if required, on trial and appeal therefrom, from any moneys of the Issuer lawfully available therefor. However, in no event shall the Escrow Agent have any lien whatsoever upon any of the moneys and Government Obligations in the Escrow Deposit Fund for the payment of such fees and expenses. The Issuer hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements, regardless of whether formal legal proceedings are required, and, if required, on trial and appeal therefrom) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Agent (whether or not also indemnified against by the Issuer or any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Deposit Agreement, the establishment of the Escrow Deposit Fund, the acceptance of the moneys and securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Deposit Agreement, or as may arise by reason of any act, omission or error of the Escrow Agent made in good faith in the conduct of its duties; provided, however, that the Issuer shall not be required to indemnify the Escrow Agent against its own negligence, active or passive, or misconduct. In no event shall the Issuer be liable to any person by reason of the transactions contemplated hereby other than to the Escrow Agent as set forth in this section. The indemnities contained in this section shall survive the termination of this Escrow Deposit Agreement.

(b) The Escrow Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by the Issuer of any of its obligations, or to protect any of the Issuer's rights under any bond proceeding or any of the Issuer's other contracts with or franchises or privileges from any state, county, municipality or other governmental agency or with any person. The Escrow Agent shall not be liable for any act done or step taken or omitted by it, or for any mistake of fact or law, or for anything which it may do or refrain from doing, except for its negligence, misconduct, or its default in the performance of any obligation imposed upon it hereunder. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Escrow Deposit Agreement and in full compliance with the provisions hereof.

Section 7. Escrow Inviolable. No paying agents' fees or other charges of any nature may be paid from the escrowed money or Government Obligations prior to retirement of all Refunded Bonds. The Issuer agrees that it will pay any and all such fees from its other legally available funds as such payments become due prior to such retirement.

Section 8. Notice of Deficiency. If at any time there shall be insufficient funds on hand in the Escrow Deposit Fund for the payment of principal and interest and premium, if any,

falling due on the Refunded Bonds, the Escrow Agent shall promptly notify the Issuer of such deficiency.

Section 9. Reporting. The Escrow Agent shall mail a report to the Issuer annually of the receipts, income, investments, redemptions and payments of and from all of the funds and accounts established hereunder during the next preceding fiscal year.

Section 10. Time for Payment. The Escrow Agent shall make payments out of the Escrow Deposit Fund to the Paying Agent in sufficient time to permit the Paying Agent to pay principal of and interest on the Refunded Bonds without default. After all sums required for the payment of principal of and interest on the Refunded Bonds have been paid to the Paying Agent as herein provided, the Escrow Agent shall transfer any remaining moneys or Government Obligations to the Issuer.

Section 11. Irrevocable Escrow for Benefit of Bondholders. The Escrow Agent and the Issuer recognize that the holders from time to time of the Refunded Bonds and any coupons appertaining thereto have a beneficial and vested interest in the Government Obligations and moneys to be held by the Escrow Agent as herein provided and in the provisions of this Escrow Deposit Agreement. It is therefore recited, understood and agreed that this Escrow Deposit Agreement shall not be subject to revocation or amendment until its provisions have been fully executed.

Section 12. Escrow Agent not Directly Liable. None of the provisions contained in this Escrow Deposit Agreement shall require the Escrow Agent to use or advance its own funds or otherwise incur direct financial liability in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Escrow Agent shall be under no liability for interest on any funds or other property received by it hereunder except as herein expressly provided.

Section 13. Segregation of Escrow. The Escrow Agent shall hold the Government Obligations and all moneys received by it from the collection of principal of and interest on the Government Obligations, and all moneys received from the Issuer hereunder, in a special fund and separate trust account wholly segregated from all other funds and investments deposited with the Escrow Agent, and shall never commingle such investments with other moneys or investments. Title to such Government Obligations and moneys shall remain in the Issuer.

Section 14. Governing Law. This Escrow Deposit Agreement shall be governed by and construed in accordance with the laws of the State of Oregon.

Section 15. Notices. Any notice, request, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed, by registered or certified mail, postage prepaid or sent by telegram as follows: *if to the Issuer, at:*

_____ ; *if to the Escrow Agent, at:*
_____. The Issuer and the Escrow Agent may

designate any further or different addresses to which subsequent notices, requests, communications or other papers shall be sent.

Section 16. Severability. If any one or more of the covenants or agreements provided in this Escrow Deposit Agreement on the part of the Issuer or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Deposit Agreement.

Section 17. Counterparts. This Escrow Deposit Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

Section 18. Amendment. This Escrow Deposit Agreement may not be amended without the consent of the owners of a majority in principal amount of the then unpaid Refunded Bonds, except to cure ambiguities or formal defects, or to make administrative changes which do not, in the judgment of the Escrow Agent and the Issuer, adversely affect the owners of the Refunded Bonds. If this Escrow Deposit Agreement is amended, prior written notice shall be given to Moody's Investors Service.

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Deposit Agreement to be executed by their duly authorized officers as of the date first above written.

City of Stayton
Marion County, Oregon

Authorized Officer

_____, as Escrow Agent

Authorized Officer

APPENDIX A
Notice of Redemption

State of Oregon
City of Stayton
Marion County, Oregon
General Obligation Water Bonds
Series 1990

City of Stayton, Marion County, Oregon has called for redemption on February 1, 1997, all of its General Obligation Water Bonds, Series 1990, which are dated February 1, 1990, and mature after February 1, 1997. The Bonds will be due and payable at the office of _____ in _____, Oregon, at a redemption price equal to ___% of their principal amount, plus interest accrued to February 1, 1997. All interest on such Bonds shall cease to accrue after February 1, 1997.

City of Stayton
Marion County, Oregon

_____, Escrow Agent